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NATIONAL MUNICIPAL REVIEW

CONTENTS FOR JUNE

The contents of the National Municipal Review are indexed in the *Engineering Index Service,* the *Index to Legal Periodicals,* the *International Index to Periodicals* and in *Public Affairs Information Service.*

THE LEAGUE'S BUSINESS

Beaumont Thanks the League.—Beaumont, Texas, has just defeated an attack on its city-manager charter by a vote of 1,724 to 468—nearly four to one. Mr. Raymond Edmonds, City Clerk, sends us this welcome news and adds: "We are indeed grateful to you and the National Municipal League as an agency for providing valuable data which was used effectively in an educational campaign to defeat a change here."

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On Special Issues.—Apropos the REVIEW's policy of sometimes devoting an issue to a single subject, Mr. W. A. Crosser, Secretary of the Bureau of Municipal Research of Des Moines, Iowa, writes us: "May I congratulate you on the recent form of the NATIONAL MUNICIPAL REVIEW. It is much easier to use for reference purposes when you have an entire issue devoted to one subject."

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The League's Convention.—As announced in last month's issue of the REVIEW, the League's forty-second annual conference on government will be held in Toledo next fall. Exact dates will be announced shortly. We are planning an interesting program and would welcome suggestions from members as to topics to be discussed or particular problems in their areas that they would like to have considered.

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Miss Wells Honored by Women Voters.—Miss Marguerite M. Wells of Minneapolis, first vice-president of the League, was re-elected president of the National League of Women Voters at its recent annual convention in Cincinnati.

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Mr. Childs Accepts New Post.—Richard S. Childs, formerly president of the league and at present chairman of its council, was elected chairman of the board of trustees of the Institute of Public Administration at its annual meeting in May. Mr. Childs succeeds Raymond B. Fosdick, who recently resigned following his appointment as president of the Rockefeller Foundation.

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Death of Howard Lee McBain.—The League suffers a real loss in the sudden death of Dr. Howard Lee McBain, long a champion of good government and one of the country's foremost authorities on constitutional law. Dr. McBain was a member of the League for many years and formerly served on the Advisory Editorial Board of the REVIEW. At the time of his death on May 7, he was Ruggles Professor of Constitutional Law and Dean of the Graduate Faculties at Columbia University. From 1921 to 1923 Dr. McBain served as a member and secretary of the New York Charter Commission and in 1924 he had a large share in the drafting of the city manager charter of Rochester. He was the author of numerous books on government, including "The Law and Practice of Municipal Home Rule," "Government and Politics in Virginia," "American City Progress and the Law," "The New Constitutions of Europe" (in collaboration with Professor Lindsay Rogers), and "The Living Constitution."

HOWARD P. JONES, *Secretary*

Editorial Comment

June

NATIONAL MUNICIPAL REVIEW

Vol. XXV, No. 6 Total No. 240

The Municipal Bankruptcy Decision

THE decision of the United States Supreme Court invalidating the municipal bankruptcy act is most unfortunate for those municipalities which are bonded for more than can ever be repaid as well as for the holders of such bonds. If the debt cannot be adjusted, the municipality's credit cannot be restored; as for the bondholder, he is apt to lose all instead of only part of what he put in.

In this 5-4 decision we again find what was so apparent in some of the famous earlier 5-4 decisions when Mr. Justice Holmes was on the bench—a clear cut conflict between realism and legalism. It is all very well to say that debts can be adjusted by agreement without court sanction but the fact is that whenever an agreement actually is reached by a city and a majority of its creditors, there is always a small minority who hold out and demand preferential treatment. The act held unconstitutional did nothing more than extend to insolvent municipalities the power effectively to adjust their debts by agreement with the majority of their creditors. As for those who say that a unit of government with taxing power can always levy sufficient taxes to meet its obligations, they forget that there is a limit not only to the ability to pay taxes but to the willingness to pay taxes. Those who close their eyes to this fact and reply with moral preachments would do well to look into the dusty case of St. Clair County, Missouri, when the failure of public officials to levy a tax for indebtedness became an act of heroism and those who served jail terms for contempt of court were lifted by public sentiment into the realm of martyrdom.

The act in the opinion of the majority of the Supreme Court constituted an interference with states' rights. The minority decision, with which the REVIEW finds itself in agreement, pointed out that far from being within the field in which the states can act, the law was in the territory embraced by the constitutional prohibition to the states against passing any law impairing the obligation of existing contracts. If Congress could do nothing about it, nothing could be done.

With some relish, the minority maintained that "to hold that this purpose (of debt composition) must be thwarted by the courts because of a supposed affront to the dignity of a state, though the state disclaims the affront and is doing all it can to keep the law alive, is to make dignity a doubtful blessing."

An article elsewhere in this issue of the REVIEW summarizes the experience

under the municipal bankruptcy act. The appraisal does nothing to alter our view that the act represented an intelligent effort to solve a knotty problem and any realistic approach to the constitutional question could not but have found it valid. It is with some satisfaction that we observe a charter member and a former president of the National Municipal League, Mr. Justice Brandeis and the Chief Justice respectively, concurring in the minority opinion.

Toward Better County Government

TO the outsider viewing the session of the New York legislature just completed, it must have appeared that, as the result of the conflict of a Democratic senate and Republican assembly, nothing whatever was accomplished in the way of constructive legislation. This is distinctly not the case. While much sound legislation was lost in the deadlock which prevailed until the last days of the session, many good measures were passed, among them two bills providing the opportunity for the reorganization of county government. The first was the Nassau County charter bill and the second the Fearon bill setting up optional forms of county government, both bills passed pursuant to the provisions of the county home rule amendment adopted by the voters in November.

The Nassau charter, drafted by the Consultant Service of the National Municipal League for the Nassau County Commission on Governmental Revision, provides for an elective county executive and a number of interesting inventions directed toward the coördinating of county and local administration of the various functions. The charter, which will go to the voters of Nassau County in November, represents the first local use of the county home rule amendment which those interested in the improvement of local government in New York State fought for so long and so hard. It is encouraging to see a county of Nassau's consequence getting into action so early.

The Fearon-Parsons bill setting up optional forms of county government will pave the way ultimately for other counties to follow in the footsteps of Nassau and Monroe counties (Monroe having adopted the limited county manager plan as authorized by earlier legislation). One of three bills submitted on this subject, (the other two being the Desmond-Mailler and Buckley-Reoux bills, the latter sponsored by the New York State Commission for the Revision of the Tax Laws of which Seabury C. Mastick is chairman) this measure establishes five optional forms of county government—"the elective county executive form" (Plan A), "the appointive county executive form with full administrative powers" (Plan B), "the appointive county executive form with restrictive administrative powers" (Plan C), "the board of district supervisors form" (Plan D), and "the board of supervisors form" (Plan E). The last mentioned is the present form with improved budget procedure and other administrative alterations.

It is to be regretted that Plan D is the only form in this act which permits a change in the present set-up of the county board of supervisors. As many REVIEW readers know, the New York State system is for the county board to be composed of the town supervisors, who are the chief administrative officers of the towns, plus representatives from any cities in the county. This frequently results in boards far too large for any good use. Plan D permits a small board, the members to be chosen by districts within the county but no plan permits

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Programs of Municipal Credit Rehabilitation

The past few years have witnessed the restoration of municipal credit, badly shaken by the depression, in many cities

THOMAS H. REED *Director, Consultant Service, National Municipal League*

MUNICIPAL credit is something almost altogether in the mind of the creditor, present or prospective. It has no necessary relation to the quality of city administration or the strength or weakness of the city's real financial situation. The market value of municipal securities is like that of patent medicines in that it does not depend on what is in them so much as on what the buying public *think* is in them. And it must be somewhat ruefully admitted that the purchasers of large blocks of municipal bonds are as ready to accept without investigation the representations of the seller as are the reputedly simple-minded victims of quack nostrums. Indeed prior to the late unfortunate depression investors were prone to take the word "municipal" as in itself a guarantee of soundness. The trustees of the teachers' pension fund of one of our larger states, for example, invested heavily in 6 per cent temporary notes put out by the million by a struggling municipality. They did not take, as they should have done, the 6 per cent rate as a danger signal. In fact, it was probably the go-sign for them. They made no effort to learn whether the works for which the bonds were issued were needed and were being economically constructed, or whether the abutting property assessed to pay for them was worth enough more than the assessments to make collection probable. And in doing as they did they were exhibiting no exceptional carelessness. It was the common belief that all municipals were good.

And then, preceded by some drastic happenings on the Florida peninsula, came the depression and its accompanying defaults. All municipal credit suffered. Fear and suspicion, almost as unreasonable, replaced the unreasoning confidence of the flush years. Even perfectly sound places found it difficult to borrow except at high rates, and panic reigned among the creditors of every seriously threatened city. The bottom was reached in the summer and fall of 1933. The past three years have witnessed what perhaps none of us will see again—the rehabilitation of municipal credit on a large scale. Public officials and financiers have had to develop techniques in handling the intangible problem of restoring buyer confidence in the securities of hundreds of municipalities. Their task was doubtless greatly facilitated by an unexampled appetite for tax exempt bonds as investments. The municipal bond market has been such that the issues, not only of places with spotless credit but many not so clean as well, could sell bonds at unprecedently low interest rates, almost regardless of their particular merits. But there were municipalities aplenty whose credit had to be forcibly rehabilitated and it is with these that this article will deal.

It would be well, however, to analyze the types of default situation which confronted us in 1933 before attempting to describe the cures prescribed for them. These natually fall into two main groups: First, those caused solely or almost solely by the rapid maturing of temporary debt at a time when cash resources were impaired—in other words, those in which the embarrassment was not fundamental; second, those in which the debt as a whole exceeded the ability of the municipality to pay not merely momentarily but permanently.

CITIES TEMPORARILY EMBARRASSED

The examples of the first class happily far outnumbered those of the second class, and they in turn fall easily into two sub-groups: (a) Those in which the municipality's embarrassment was due to what otherwise would have been normal tax anticipation borrowing at a time when tax collections were abnormally low; and (b) those where short term temporary improvement notes were issued to pay the cost of public works to be taken up by long term bonds which, when the time came, could not be sold. The first of these situations was intensified in some states like New York and New Jersey by the practice of requiring the unit of government charged with the duty of tax collection to pay the other units in full whether it collected 100 per cent or only 50 per cent of what was levied. This usually meant that the city, town, or township held the sack for the school district, the county, and the state. If it paid the other units in full, it had left only a minor fraction of what was required for its own needs. If it did not pay in full, the county and the school districts were plunged into similar difficulties. The second group (those embarrassed by excess of temporary improvement notes) were further crippled by the fact that the special assessments on which most of this type of financing was based in many cases proved uncollectible in even greater proportions than taxes, thus throwing on the reduced tax resources of the municipality a mountainous burden.

The distress of municipalities in both these groups of the first class was real enough. But it was susceptible of relief. These municipalities were not bankrupt, but embarrassed. Their greatest difficulty was that they needed not only a refunding of short term paper into long term bonds, but new money—fresh loans with which to meet state and county taxes, back payrolls, and unpaid bills. Experience has demonstrated that the holders of municipal securities in default are fairly willing to exchange them for other securities when the new issue is so set up that its obligations probably can be met when due. The creditor is irrevocably in for the amount of his investment and any way out is preferable to doing nothing. But to throw good money after bad is another matter. And the goal in programs of credit rehabilitation for such places has been to construct a plan so good as to reassure the doubts of sound backers.

The initiative in these situations has sometimes been taken by the creditors forming a bondholders' protective committee, but that has not been the characteristic method of procedure—although there have been some notable successes achieved by such committees as in the case of Detroit. The usual modus operandi has been to begin with a survey. These surveys vary all the way from a cursory examination of tax collections and the structure of the debt to elaborate and detailed studies, such as that made by the Consultant Service in Asbury Park and St. Petersburg. As the market for municipal bonds improved there was almost a rush of would-be refunders to take advantage of it. In New Jersey many municipal auditors took advantage of their position to get appointed as "fiscal agents" for refunding purposes. Bond dealers went systematically into the business of

promoting refunding. Some of the plans, naturally, were a bit haphazard—others most meticulously worked out. All of them, however, attempted to estimate on the basis of past experience the probable income to be derived for several years to come from current taxes, delinquent taxes, and other sources; the necessary operating expenses of the municipality; the sums it must pay to the state, county, school districts, etc.; and the amount then left for debt service. With this information in hand a refunding plan would be set up spreading maturities on the refunding bonds in such a way that the new money would be repaid ahead of old obligations. Time enough has not yet elapsed to tell how many of these plans were well-founded. Their success in general has been greatly promoted by the improvement in tax collections in 1934 and 1935. Most municipalities are now—if we take current and delinquent taxes together—collecting as much in taxes as they ever did. There are exceptions, of course. The real danger, however, lies in the false hopes aroused by the fact that, where recovery is exceptionally rapid, collections actually exceed the annual tax levy. This nicely takes care for the time being of any excessive expectations of the refunding plan. That cannot last, and a close examination of the situation would often disclose that a sizeable proportion of so-called taxable real estate is not paying—is even incapable of paying taxes at all. Plans based on unduly swollen estimates of tax receipts in future years will necessarily come to grief. If the day of reckoning for some of the ill-considered plans has not yet come, it is to be definitely expected.

These credit rehabilitation programs have been definitely assisted in New Jersey by the cash basis refunding acts —chapters 60 and 233 of the laws of 1934. The second of these pledges the municipality to levy each year a sum sufficient on the basis of the current tax collection experience of the preceding year to produce in cash the required debt service on the refunding issue. Chapter 60 goes further and requires a similar enhanced levy to cover the whole budget, but permits deductions from the amount to be raised, not exceeding the collections of the preceding year, for estimated collections of delinquent taxes, special assessments, etc. In other words, chapter 60, once any bonds are refunded under it, puts the municipality compulsorily on a complete cash basis.

It is not surprising that chapter 60 and chapter 233 bonds are in high demand and that the acceptance of the terms of one or both of these acts has been made a condition of most New Jersey refundings. On the other hand, if a miscalculation has been made in estimating the rate and amount of future tax collections, deficits may result which will pile taxes mountain high on the unfortunate victims of such hasty refunding.

As an example of a rehabilitation of credit program which illustrates most of the quirks and turns of this new enterprise let us take the city of Yonkers. This city on December 31, 1933, owed short term and unfunded obligations as follows:

Notes and certificates of deposit past due	$7,412,532
Due county for 1933 taxes	1,616,955
Unpaid claims (including three months payroll)	2,461,953
Total	$11,491,440

The city, however, was not in default on either principal or interest of its bonded debt. A survey was made at the suggestion of an informal committee representing noteholders. As a result of this survey, in which the operation of every department of the city government was carefully checked, a budget was adopted which, in comparison with the 1933 budget, was as follows:

		1933 BUDGET	1934 BUDGET
Net Departmental Expenditures		$ 8,450,041.52	$ 7,281,784.23
Workmen's Compensation		12,500.00	12,500.00
Judgments, Etc.		84,886.76	120,422.89
Tax Discounts		12,000.00	25,000.00
Pension Fund Contributions		160,559.65	151,954.30
Debt Service	Bonded Debt	4,782,103.29	4,141,239.71
	Other Indebtedness		1,634,783.33
State and County Tax—1933		1,625,000.00	1,616,000.00
State and County Tax—1934			*1,241,500.00
Total		$ 15,127,091.22	$ 16,225,184.36
Less:			
Credits (Non-Tax Revenues)		4,144,902.87	3,626,029.83
Tax Levy		$ 10,982,188.35	$ 12,599,154.53
Tax Rate		3.11	3.79
Assessed Values		$352,498,783.00	$331,874,306.00

*This item represents the probable county levy for 1934, less a judgment in favor of the city.

The drastic reduction in operating expenditure, taken in conjunction with the even greater increase in the total levy, meant an increase in the amount available for debt service over 1933 of approximately $2,800,000.

This bitter dose so manfully swallowed by the city authorities induced the comptroller of the state to buy a millon dollars worth of their "relief" funding bonds, and at the end of six months the financial status of the city was sufficiently improved to induce the noteholders to consider a refunding proposal. In the meantime special legislation in aid of refunding in Yonkers had been passed by the state legislature. It required the city to set up a reserve of delinquent taxes equal to the amount of notes refunded plus $1,000,000. The city might borrow from this fund to meet expenditures otherwise provided in the budget, but was forbidden to appropriate any of it. This produced in a somewhat backhanded fashion nearly the same result as does New Jersey's "chapter 60." A re-survey was made to demonstrate as near as might be the sums that would be available for debt service during the next several years. It was thus made clear that an issue of approximately $10,000,000 of 5 per cent bonds could be amortized in ten years with *progressive* reduction of tax rates. On this showing of fact the noteholders were induced not only to exchange their securities for the new bonds but to take the late maturities leaving the early ones to repay a group of banks which put up $3,000,000 in cash to liquidate floating obligations to state and county, employees, and others. The city of Yonkers was thereby put upon its feet, and firmly so. Its tax rate, which rose from 3.11 per cent in 1933 to 3.79 per cent in 1934, came down to 3.39 per cent in 1935 and 3.356 per cent in 1936. The percentage of the current levy collected in each year has gone steadily up. It was 69 per cent in 1933, 71 per cent in 1934, and 74.82 per cent in 1935, and promises to be even better in 1936. The total of current and delinquent collections together now exceeds the amount of the levy. In other words, tax collections have returned to normal while the price of Yonkers bonds has risen nearly thirty-

five points. Four and one-quarter per cent bonds due in 1950 sold in October 1933 at seventy-three (approximately a 7 per cent basis) and similar bonds of comparable maturity now sell at 107¾ (a 3.6 per cent basis).

By means such as this the great majority of the temporarily embarrassed municipalities have been now straightened out. To name them all would be impossible. To name some and not others might be invidious. So thoroughly, however, has the credit of most of them been restored that they can borrow money at lower rates than ever in their history. In fact, there is not a little heartburning among cities which borrowed at high rates before the depression, met every obligation on the nail, and are still paying high interest, where those which were forced into refunding have reaped advantage from their own default.

CITIES IN BANKRUPTCY

Much less speed has been made—and very naturally—in resolving the situations of the second class. Where the total debt is beyond the ability of the municipality to meet, there must in any definitive settlement be a scaling down of either interest or principal. This, bondholders have been reluctant to agree to. Many have preferred to keep their debtors on tenter-hooks, taking what they could pay and postponing settlement. In this class of situation bondholders protective committees have been common, and these committees have been very deliberate in coming to grips with their problems. And the procrastination has not been altogether on the part of bondholders and their committees. Municipal authorities, influenced by the popularity of low taxes and in accord with promises made in the heat of political campaigns, have dallied over the acceptance of reasonable proprosals.

Here again a "survey" has been frequently resorted to. Bondholders committees have spent a good deal of money gathering data and the cities have not infrequently employed their own experts. Such settlements as have been reached have too often been characterized, it is to be feared, by undue optimism—an optimism which assumes that the municipality really belongs not to the second but to the first class and that its embarrassment is temporary not permanent. Sliding scales of interest coupons quickly returning to the contract rate (usually much higher than current interest rates for cities that are good risks) and brief moratoria on principal payments characterize these refunding plans. Exceptional but insecure prosperity has kept some of these plans working, which a hurricane or merely a change of fashion might have thrown into the discard. Some are going to have to be remade. But in the great majority of cases creditors and debtors have marked time. The problem is a tough one. A clear cut reduction in interest or principal, or both, is by itself a blow to future credit. How to put a city through bankruptcy, scale its debts, give its new debt structure a sound basis, and its refunding and future issues a good market value, is something requiring thorough study and an impartial viewpoint. A refunding plan to accomplish such results must be realistic, and its auspices must be authentic. It is not enough to get the old bondholders to swap their present obligations for new pieces of paper bearing interest coupons of varying per cent and covered with conditions postponing principal payments whenever it is inconvenient for the city to pay. A number of these safe from default plans have been proposed, but they get nowhere really because such bonds are not easily marketable. In the meantime communities with bondholder judgments

hanging over them, threatening confiscatory tax rates, cannot recover prosperity. We have pretty generally abolished imprisonment for debt, but many municipalities are in reality in a debtor's prison—with business enterprise well nigh paralyzed.

A credit rehabilitation program for such a desperate municipality must in my opinion partake of the following:

1. A sound *impartial* analysis of its resources, its taxpaying capacity, plus other available sources of income, and in this connection the obligations of the taxpayers to other units must not be forgotten.

2. An objective study of its operations to determine what expenditure is necessary to provide essential municipal services.

3. A determination, as nearly scientific as possible, of the sum which can reasonably be expected to be available, as a result of studies one and two, for debt service.

4. A refunding plan which offers in exchange for present securities new securities bearing normal rates of interest with normal maturities—such a bond, in other words, as would, if there had never been a default, sell at par or near it. The quickest way for a creditor to realize such of his principal as can be collected is to give him a salable bond.

Municipal politicians may object to the rigor of the measures suggested. Bondholders committees will contend perhaps that such plans deprive them of participating in the future prosperity of their debtors. But there can be no genuine prosperity for any community while an unpayable debt hangs over it unsettled. If the principle is sound that a creditor is entitled to lie in wait for whatever good fortune his debtor may long after enjoy, our bankruptcy laws are, of course, unsound. On the other hand, every debtor is in duty bound to do his utmost toward meeting his just obligations. Anything less is dishonesty. Good sense dictates that debtor and creditor should, with reasonable promptness, join in clearing the decks of the debris left by disaster.

EDITORIAL COMMENT

(Continued from Page 312)

their selection from the county at large. There are several other desirable options contemplated by the amendment which are not included in the bill—opportunity for widespread transfer of functions as between units, for example.

Nevertheless, the bill does represent some progress. Thus, Plan B gives counties of New York State a chance to adopt the county manager plan without running into constitutional obstacles. This alone is worth while. Further refinements should come at the next session of the legislature, particularly since the New York State Tax Revision Commission, whose reports supplied the basic ideas in all three bills, was continued for another year by the unanimous consent of both houses of the legislature. Furthermore, civic groups in New York State, having achieved this much, are not to be satisfied until full advantage has been taken of the provisions of the new county home rule amendment.

The Cities Pare Down Their Debts

It is an interesting fact, revealed by C. E. Rightor's tables of the bonded debt of 283 cities published elsewhere in this issue, that the gross bonded debt of these cities was reduced during the calendar year 1935, a year that has not been surpassed for investment interest in municipal securities.

While it should, of course, be appreciated that any consideration of the financial condi-

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State Receiverships of Insolvent Municipal Corporations

State Municipal Finance Commission has greatly aided rehabilitation of credit in New Jersey municipalities

ARNOLD FRYE *Hawkins, Delafield and Longfellow, New York City*

For the liquidation of the debts of insolvent private corporations, the equity receivership has long been recognized as a valuable legal instrumentality. From relative simplicity it has been developed to include the business management for a period of years of large corporate enterprises where the interest of creditors collectively as distinguished from that of individuals or minority groups requires the continuation of the business as a going concern, or the public interest requires the continuation of service.

For the liquidation of the debts of insolvent municipal corporations, the application of the principle of receivership has been much less widely extended. It is not novel, because from the time when public corporations were first created, sovereign states have frequently intervened in the management of the affairs of their creatures either through their judicial agencies, the courts, or through state commissions, whether legislative, administrative, or quasi-judicial as the public interest might require. Such defaults as occurred in the past in the payment of municipal securities were the result not so much of real insolvency as of attempted repudiation of particular issues, such as the notorious railroad aid bonds or the carpet bag bonds, where the taxpayers appear to have believed, however unwisely, that they were morally justified in refusing payment. During the recent depression, on the other hand, there were few, if any, deliberate attempts at repudiation. The over-extension of municipal debt during the years of speculation which followed the war, the rapid increase of real property valuations, too great reliance on special assessments, lack of care in arrangement of debt, the issuance of large amounts of "temporary" or bond anticipation notes, improvidence in substituting floating debt for cash collection of taxes, followed by an acute and violent deflation of property values and still further reduction of tax collections—all this resulted in a number of cases of genuine inability to meet the debts as they came due in a period when new bonds could not be sold, that is to say, of insolvency in the sense employed by the courts, of present inability to meet obligations on the contractual basis. This was most evident in states such as New Jersey, which had during the preceding years of speculation seen a very rapid increase of real property values and a concomitant relaxation of the laws supposed to control municipal debt.

To anyone acquainted with the general law and with the principles of business management, it was evident that in such situations the application of the principle of the equity receivership would afford the most effective

creditors' remedy for liquidation of the debts. The resulting establishment of state receiverships of municipal corporations is one of the interesting products of the depression.

The first application to attract general attention was in Massachusetts in 1930. The city of Fall River, in spite of declining industry and increasing difficulty in collecting taxes, had continued for several years to maintain assessed valuations and to borrow in anticipation of taxes which could not be presently collected. When the limit had been reached, the state, in appreciation of the fact that financial embarrassment in even one municipality reacts unfavorably on the credit of others, provided by special act for a commission which refunded the outstanding tax obligations and has since continued and, so long as the bonds remain outstanding, will continue to exercise very substantial powers over the local administration.

The work of the Fall River commission has been such a success that similar acts have extended the principle to several towns which have since found themselves in financial difficulties. Connecticut provided by general act for a state commission having very broad powers of local government in the case of any municipality which finds itself obliged to go to the state for special aid in the matter of poor relief. The province of Ontario has established a commission with very broad powers unlimited by the constitutional provisions which are to be found in our states. A partial application of the receivership principle may be seen in the general acts which have been adopted in a number of states to control the funding or refunding of existing obligations.

The New Jersey receivership commission, entitled the State Municipal Finance Commission, was established in 1931, somewhat on the model of the Massachusetts Fall River Commission, but by general law as was required by the state constitution. It is appointed to function in a particular municipality by order of a justice of the supreme court either on application of a note- or bondholder who satisfies the court that the municipality has defaulted for over sixty days in payment of notes or bonds held by the petitioner, or on the application of the governing body of the municipality alleging the inability of the municipality to meet its obligations when due. In either case the court is required to make at least a summary investigation, and may subpoena witnesses and call the officers of the municipality. In the case of a voluntary petition, it must be established to the satisfaction of the court that the municipality is in fact unable to meet its obligations when due in spite of the endeavors of its officers.

NEW JERSEY COMMISSION'S DUTIES

The powers of the commission under the original act were largely limited to maintenance of an auditor in each municipality, to finding after investigation and public hearing the outstanding indebtedness, to vetoing the incurring of new debt except notes in anticipation of taxes of the current year, to ordering revaluations of taxable property, and to approving, after public hearing, resolutions authorizing the issuance of funding or refunding notes or bonds including provisions for special security payment.

As the commission came to be appointed receiver in more and more municipalities, it found that refunding was not the immediate problem. The municipalities had issued large amounts of short term notes or bonds in anticipation of the collection of special assessments on vacant lots. Most had enjoyed real estate booms of extraordinary proportions. The real estate development companies were themselves in

bankruptcy. With current tax collections as low as 16 per cent, there was little chance of collecting special assessments. In some cases for a time it was a problem even to keep an effective government functioning and prevent many of the inhabitants from abandoning their small municipalities.

The commission early established the principle that there must be no reduction in principal of debt and had it enacted into law, even as regards such compositions as might be effected under the ill-fated municipal provisions of the federal bankruptcy act. Only one application was permitted under that act and that application provided 3 per cent back interest, 4 and 4½ per cent future interest, and for the principal in full.

CONTROL OF LOCAL GOVERNMENT FINANCE

The powers of the commission to control local government, originally largely negative, have been increased from year to year and increasing appropriations have been made by the state. The control over local expenditures for purposes other than debt service originally confined to a veto of increase in the total amount, has been extended sufficiently so that the commission has effected substantial reductions in operating cost. The commission now also has power to keep municipal expenditures within the reduced appropriations, for no claims may be passed for payment and no checks paid without the countersignature of the commission's local auditor. The commission has obtained in its municipalities control over the general municipal power to compromise delinquent taxes and assessments. It uses this control to minimize the number of such compromises and to require payment of such compromised delinquent taxes and assessments into reserve funds for debt service. It has also obtained some power to enforce tax sales and stiffen the collection machinery. As a result, its municipalities are finding themselves the owners of large tracts of the territory within their corporate limits and the commission is seeking legislation which will permit the sale of such lands under the most favorable market conditions.

The commission in conjunction with its staff does a large amount of day-to-day administrative work that is not in the least spectacular, but which is of value to taxpayers and creditors of the twelve insolvent municipalities, drafting budgets, guiding local officers, preparing reports to creditors, giving hearings to taxpayers, equalizing assessments and stiffening tax collections, auditing accounts, and preauditing expenditures. In one case, the inhabitants were threatening to leave the community because the municipal water supply was becoming non-potable because of overstrain on the filtration beds. The commission after careful studies procured the installation of meters on partial payments, thus so markedly diminishing the consumption of water as to bring the filtration plant well within rated capacity and make the contemplated new construction unnecessary. In one municipality the new water system was causing so large a deficit that default resulted. Under the direction of the commission, the deficit became a profit; with some new money from a state fund the temporary bonds were funded and default removed. A much needed sewer system has since been built with aid of the federal government. The population is increasing and the local officers are so well satisfied that they have continued to act under the advice of the commission after the legal compulsion had long ceased.

Some criticism has been drawn upon the receivership act by the provision for a stay of execution or mandamus when sought by an individual creditor or group, although the act expressly authorizes a summary proceeding on

behalf of all creditors of the same class and gives to all creditors in such proceeding all rights to which they might be entitled as judgment creditors under any other law. The act also permits the court to set aside the stay of the individual execution. When the act was drafted in 1931, any stay provision was omitted in the hope that creditors through committees or otherwise in their own interest would act with virtual unanimity. Within less than a year, suits by individuals or minorities seeking preferential payment forced the legislature to recognize that in public as in private law receivership is not workable without a stay. The constitutionality of the provision then enacted has been upheld by the highest court in the state. The provision, of course, makes no attempt to prescribe procedure for the federal courts. A writ of mandamus was granted against one municipality by a United States district court but that writ was promptly vacated by the United States Circuit Court of Appeals on the ground that the issuance of the writ rested in sound judicial discretion and that in effect the writ should not issue where the municipality acts in good faith and accords equal treatment to all creditors. A review of this decision was refused last October by the United States Supreme Court.

ACCOMPLISHMENTS OF COMMISSION

Without attempting to appraise the work of the commission, certain results of its operations are believed by the people of the state to be self-evident. It has definitely established and maintained the principle that municipal bonds are to be paid without reduction of the capital sum. It has pointed the way and had a large influence in the establishment of the principle of the cash basis of operations. This principle was included in the well known cash basis funding act (chapter 60) of 1934, under which so many municipalities have funded their floating debts that it is computed that over 40 per cent of the population and over 50 per cent of the wealth of the state are now included within the municipalities operating under the very salutary budgetary provisions of the cash basis act. The budget bills now pending in the legislature contemplate the extension of this principle, as rapidly as may be, to all municipalities in the state. The commission indicated the need and was a strong influence in securing the passage of the local bond act of 1935. The commission also pointed the way to the need of strengthening the laws for the collection of municipal taxes. The legislative program of which the Municipal Finance Commission act forms a part has not yet been fully enacted, but municipal credit in the state has already been greatly improved and the obligations of the sounder municipalities are now selling on a basis comparable with the obligations of the better municipalities in other states.

The Work of the North Carolina Local Government Commission

State control of local finance has proved successful though improvement in methods of control needed

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FIVE years ago the North Carolina Local Government Commission was created for the primary purpose of exercising control over local debts. Its appearance was hailed as a significant step in the development of state control over local finances and it was expected to be instrumental in restoring the credit of debt-ridden local governments. Since this was a new and different approach to the problem of fiscal control, it may be profitable to review certain phases of the commission's work after five years of operation.

In the beginning we should note certain amendments and laws affecting the work of the commission since 1931. (See chapter 60, *Public Laws,* 1931, or NATIONAL MUNICIPAL REVIEW, June 1931, for provisions of the original act.) Most of these changes have had the effect of pulling some of the "teeth" of the original act. In 1933, after the director of local government had been appointed state treasurer, the latter official was made ex-officio director, and the commission was made a department of the treasury. At the same time the secretary of state was made an ex-officio member of the commission and of its executive committee. At present the executive committee, which for most purposes is the commission, is composed of four ex-officio members: the two above, the state auditor, and the commissioner of revenue, all except the last of whom are elective.

Under the original act the director may appoint an administrator of finance to take charge of the finances of a unit in default. The administrator may receive wide powers and function practically as a receiver. That this is a power deemed too extensive for safe use is evidenced by the fact that, although there have been scores of defaults and some demands from bondholders for appointments, no such administrator has ever been appointed. There have probably been several reasons for this. First, with the large number of defaults, the director might have had difficulty finding enough competent men if he had started appointing administrators. Second, he may have reasoned, quite logically, that if local officials were honest and conscientious the appointment of an administrator might do more harm than good by irritating and enraging local taxpayers. Finally, responsibility for the whole procedure rested squarely on the director, and the political reaction in the defaulting unit to the appointment of an administrator would hardly be favorable.

An amendment made in 1933 provides an alternative procedure to that above. One year after default the director, on petition of the holders of 51 per cent of the bonds of a unit, *shall*

appoint an administrator by and with the consent of the resident judge. Then the petition, after published notice, must be filed on the civil docket of the superior court for hearing and final action. The holder of *any amount* of bonds may petition for a modification or revocation of the court order, in which case another hearing is necessary. The net result of the amendment seems to be that it diffuses responsibility and creates the possibility of endless delays.

A third amendment, also made in 1933, permits local governments, with the approval of the commission, to refund any part of their debts. If the refunding is accomplished with term bonds, no tax levy for principal payment is required until the year of maturity. As a fourth amendment, the general assembly repealed (ch. 418, *Public Laws,* 1933) the provisions imposing civil and criminal liabilities on members of the governing bodies of local units who refused to vote the necessary taxes for debt service. The law imposing this liability was enacted in 1929; it was another statute which was too severe and too dangerous politically to be enforced. Its repeal has resulted in some failures to levy necessary taxes. Both of these changes do much to weaken the original strength of the act, and may delay the repayment of debts.

Another law, enacted in 1935, strengthens the commission and enlarges its scope. After a local unit has been in default for six months, the commission may negotiate with the unit and its creditors, prepare and/or approve a refunding plan, and put it into operation. In such case the director shall have power to approve and supervise the budgets of the unit for such time as he thinks necessary.

It may be noted, finally, that the emergency bond acts of 1935 increase the responsibility of the commission in one respect. These acts suspend, until June 30, 1937, the statutory debt limits on local governments and leave the responsibility for limiting such debts entirely to the discretion of the commission.

FUNCTIONS OF THE COMMISSION

In considering the work of the commission, it should be noted first that it has been handicapped by limited funds and an inadequate staff. At present it has a staff of fourteen and operates on a budget of about $36,000. A part of its expenses—that incurred in the advertising, selling, and delivering of bonds—is charged against the units whose bonds are sold. But lack of funds has prevented the commission from performing many useful services. The work of the staff is carried out under the immediate direction of a secretary who is assistant to the director. A refinancing division of four employees completes the internal organization.

1. The most important phase of the commission's work, of course, is its function of approving applications for bond and note issues. The policy which the commission has pursued in this respect has been determined to a considerable extent by existing conditions in the state. Very heavy debts and numerous defaults have naturally prevented any large amount of new borrowing in recent years. The general policy of the commission has been to approve applications for bond issues only in cases of pressing need. Most of the bonds approved have been for necessary refunding, or for the improvement of water and sewer systems and school buildings, especially where PWA grants are available. For the two years ending June 30, 1934, approvals were as follows: funding and refunding bonds, $26,948,238; bonds in connection with PWA projects, $9,743,815; other bonds, $621,600. Bonds sold during the first

three months of 1936 were divided as follows: funding and refunding, $1,687,500; in connection with PWA projects, $1,053,000; others, $1,462,000. This latter analysis does not include bonds exchanged under refunding agreements.

The procedure for securing the approval of a bond issue is usually initiated by an informal conference between a representative of the local unit and the director or secretary of the commission. If the latter expresses disapproval of the project, negotiations are usually dropped and no formal application is filed. In considering an application the commission may be hesitant about giving its approval, and may instruct the secretary to request additional information. Frequently the local unit does not respond and the matter ends there. Relatively few applications are flatly rejected and a large proportion of them are approved. Officials of the commission contend, however, with reason, that the greatest contribution of the commission is the influence which it exerts to prevent local units from opening negotiations or making applications in cases where bond issues would be of decidedly questionable wisdom.

Because of the unusual conditions prevailing—the large amount of refunding, heavy debts, and the influence of PWA grants—it is very difficult to evaluate the standards enforced by the commission. The writer has heard no complaints that the standards are held too high, while a few individuals are inclined to think they are too lenient. It is significant that no application approved by the PWA has been disapproved by the commission, while in a few cases applications approved by the latter have been rejected by the PWA.

The commission has done very good work in the supervision of short term borrowing. In 1931 local governments had outstanding large amounts of revenue and bond anticipation notes which had to be renewed frequently at high rates of interest. This volume has gradually been reduced and new borrowing has been greatly curtailed. From March 1931 to December 1932 note sales, exclusive of renewals, amounted to approximately $13,000,000; from July 1, 1932, to June 30, 1934, approximately $8,000,000; while for the first three months of 1936 the amount was only $295,900. A good part of this improvement is due no doubt to improved tax collections, but the commission has been instrumental in preventing much needless borrowing. Also, through publicity and competitive bidding, interest rates have been reduced. The weighted average interest rate on the $295,900 of notes sold in the first three months of 1936 was 2.251 per cent. In a state where bank rates are very rigid and 6 per cent is the general rule, this is a significant achievement.

REFUNDING AND READJUSTING

2. The commission's largest task at present is the preparation and handling of refunding and readjustment plans. Approximately fifty units are engaged in refunding or exchanging some of their bonds, and each project involves considerable work. Since over 250 units have defaulted in the past six years, there is still much to be done here. The commission offers its services to any unit that wishes to refund or adjust its debt. Many of the plans are prepared by the refinancing division. Under the 1935 amendment the director may take the initiative in working out a plan for a defaulting unit, but just now the staff is fully occupied helping those which request aid. Improved finances and the threat contained in the 1935 amendment are evidently inducing many units to clear up their defaults. The director recently announced that during the past two years eighteen counties and twen-

ty-eight cities and towns had completed refunding or exchanges with a total saving in interest, over the life of the bonds, of $36,422,086.

When bonds are to be exchanged under a readjustment agreement, the state treasurer is the official depository. The commission receives the old bonds, makes interest adjustments, and delivers the new bonds. Actual costs incurred are charged to the refunding unit, but services are given free. This represents a considerable saving for local governments.

SUPERVISION OF SINKING FUNDS

3. Another important function of the commission is the supervision of the investment of sinking funds and of the safekeeping of current funds. Following flagrant abuses in the handling of these funds during the twenties, the general assembly incorporated in the original act very strict provisions governing such funds. In regard to sinking funds much damage had already been done for which the act could offer no remedy. In its first report the commission stated that on June 30, 1932, sinking funds showed $3,306,431 of eligible investments and $5,649,440 of ineligible investments, the latter consisting of real estate mortgages (some second and third), collateral notes, personal loans, real estate, stocks and bonds of private corporations, and loans to current funds for operating purposes. Due to the circumstances of the time, the policy then was to proceed very slowly in requiring the liquidation of ineligible investments, since "forced sales of such investments would not accomplish the intent and purpose of the law." The 1934 report stated that, "The commission felt that conditions throughout the depression period were too unfavorable to cause foreclosures of a large amount of real estate mortgages representing sinking fund investments," and hence it had "deferred forced liquidation in order to avoid heavy losses" but had "encouraged local units in trading such investments for their own bonds on a basis of par for par." Since no figures were given in the 1934 report it is a fair assumption that more than half of the sinking funds are still invested in ineligible assets. In respect to current funds the situation is much better. On June 30, 1932, $4,552,229 were properly secured while only $497,353 were improperly secured or not secured at all. The matter was not mentioned directly in the 1934 report, but presumably all such funds are now properly protected. Local units report twice each year on the status of sinking and current funds.

4. Supervision of auditing contracts and the approving of bills for auditing services are other functions of the commission. The supervision of contracts was first applied to counties in 1927, and between that date and 1930 total costs were reduced from $216,404 to $82,887. The commission reported a further saving—for all units—of $54,926 during its first year of operation. The commission may require all units to use a uniform accounting system, but it has done no more than prepare a "uniform classification of accounts" for counties. There is a great need for improvement in governmental accounting in the state and the installation of a good system of uniform accounting would be an important step in the right direction. But the commission is not inclined to undertake this now in the face of considerable opposition from local units—and because the change would require extensive training and instruction of local accountants in the use of the new system.

5. The commission also requires reports on general finances from local units every six months. These are supposed to be complete financial reports,

but they fall far short of this. They include information concerning population; assessed value; the rates, levies, and collections of property taxes; combined revenues and profits of publicly owned utilities; and a few statistics on debts and defaults. They include no information concerning expenses and none on revenues except as noted above. Obviously they are not in the form of a balanced statement, and it is impossible to tell from them whether a unit has a deficit or a surplus. Such information as the reports do contain is not readily accessible since the staff has not been able properly to tabulate and analyze the statistics. No statistical reports have been published, due to lack of funds.

6. The commission has no direct supervision over debt retirement. It keeps a ledger for each unit showing all the relevant data for every bond issue. Each month it mails to each unit a statement of the interest and principal currently falling due. The governing bodies and officials of these units are required to hold debt service funds inviolate and to remit them at the proper time under penalty of both civil and criminal liabilities. The notices of the commission must be returned, showing what action was taken regarding interest payments and maturities.

Local government officials of the state are favorably inclined toward the commission. Some are indifferent, while others are enthusiastic in their praise of it, but the writer has found no trace of hostility. One of the outstanding and well informed county managers of the state was strong in his commendation, and thought that the act was one of the most constructive steps taken by the state in recent years. The city attorney of one of the largest cities in the state was so enthusiastic that he thought the essentials of the plan should be embodied in the constitution.

SUMMARY

In conclusion, we may summarize developments of the past five years by dividing them into debits and credits. The debits are:

1. The work of the commission is given a definite political tone by the fact that the director is identical with the elected state treasurer, and its powerful executive committee is composed of four state officials, three of whom are elected.

2. The merging of the position of director and state treasurer imposes too much work and responsibility on one man.

3. The director has shown no inclination to use his power to appoint administrators for defaulting units; the 1933 amendment of this power was evidently an effort to evade responsibility and weaken the act while appearing to strengthen it.

4. The law imposing liabilities on members of the governing bodies of local units for not voting the necessary levies for debt service has been repealed.

5. Local units have been given the legal power to refund any portion of their debts into term bonds, on which no principal payments need be made until the year of maturity. The director recently announced, however, that in practically all refunding plans there are requirements for sinking funds.

6. The commission has made little progress toward installing a uniform accounting system.

7. Due largely to prevailing circumstances, little progress has been made in eliminating from local sinking funds ineligible investments made before 1931.

8. The commission does not collect adequate statistics on the general finances of local units, and the information which is collected is not analyzed and published.

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The Federal Municipal Debt Adjustment Act

Experience under the act too meager for definite conclusions to be drawn as to its usefulness

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MORE than two years have elapsed since Sections 78-80 (popularly known as the federal municipal debt adjustment act) were added to the national bankruptcy laws, yet experience under this act has been so meager that both supporters and opponents can still advance arguments for and against the wisdom of this amendment with little fear of conclusive contradiction. Two years ago opponents warned that once this breach was made, the dikes protecting municipal credit would be down. Today they point a knowing finger to the passage in April of H. R. 10490 and H. R. 6982. The former extends duration of the amendment until January 1, 1940 (the original time of expiration was May 24, 1936); the latter liberalizes the act as applied to drainage, irrigation, reclamation, and levee districts. Where a loan has been authorized to such a special district by an agency of the United States government for the purpose of reducing or refinancing its indebtedness, the district may now file a petition without securing the written acceptance of 30 per cent of its creditors. Furthermore, the percentage of creditors of such special districts which must accept before the debt adjustment plan can be confirmed has been reduced from 66 2/3 to 51 per cent. Nor has Congressman J. Mark Wilcox (Dem.), Florida, ceased his efforts towards further liberalization of the act.

Supporters of the original Sumners-Wilcox bill, on the other hand, can with pride and equal validity stress the fact that they were right in predicting that the act would not bring a great flood of petitions and debt scaling. They contended that the privilege of using bankruptcy machinery to effect an adjustment acceptable to a majority of creditors could not and would not be abused, and that only those taxing districts which were so heavily burdened with debt that no hope of payment in full remained would resort to this procedure. To date this contention has been borne out by the facts. Less than a hundred taxing districts out of approximately 3,000 in default have filed petitions. A check of several sources shows a total of eighty-four petitioners, scattered through twenty states.

Arizona: Maricopa County Municipal Water Conservation District No. 1;

Arkansas: Poinsett County Drainage District No. 7, Chicot County Drainage District, Cypress Creek Drainage District, Little Red River Levee District No. 1 of White County, Grassy Lake and Tyronza Drainage District No. 9, its Subdivisions Nos. 3 and 4, and Subdivision No. 1 of the Carson Lake Drainage Improvement District;

California: City of Imperial; East Contra Costa, El Dorado, Glenn-Colusa, Imperial, Lindsay-Strathmore, Littlerock Creek, Merced, Naglee-Burke, Oroville-Wyandotte, Palo Verde, Paradise, Santa Fe, South San Joaquin, Oakdale, Vista, Terre Bella, and Waterford Irrigation Districts; Reclamation District No. 2064; and Pescadero Reclamation District No. 2058;

Colorado: Otero Irrigation District;

Florida: Clearwater, Belleair, Dunedin, Lake Wales, Sarasota, and Safety Harbor; Wahneta Drainage District; Broward County Road and Bridge District No. 3, and Special Tax School Districts Nos. 2, 3, 4, and 5;

Idaho: Boundary County Drainage District No. 8;

Illinois: Gillespie; Henderson County Drainage District No. 3;

Iowa: Green Island Drainage District;

Kansas: Frontenac;

Mississippi: Boyle; Lake Cormorant Drainage District;

Missouri: Pemiscot County Drainage Districts Nos. 3, 6 and 8, Scott County Drainage District No. 10, and Little River Drainage District;

Nebraska: Ralston and Spencer; Whitney Irrigation District;

New Jersey: North Bergen Township;

New Mexico: Antelope Irrigation District;

North Carolina: Benson and Rowland;

Ohio: Brooklyn;

Oklahoma: Wynona, Burbank, and Covington;

Oregon: Medford Irrigation District;

Tennessee: Sweetwater, Rogersville and Etowah;

Texas: Corpus Christi and Electra; Cameron County Irrigation District No. 1, Cameron County Water Improvement Districts Nos. 1 and 2, and Hidalgo County Drainage District No. 1 and Road Districts Nos. 1 to 8 inclusive.

Only twenty-three of these petitioning districts are incorporated cities, villages, or towns. The largest is Corpus Christi, Texas, with a population of 27,741 (1930 census). The most important urban district, however, to file petition is North Bergen Township, New Jersey. This township with 40,000 inhabitants is also the only petitioner in the east. The petitions of the Merced Irrigation District and North Bergen Township involve the largest amounts, approximately $16,000,000 principal indebtedness in each case. Frontenac with a population of 2,000 is suffering from loss of population and a decline in its main industry—coal mining. Wynona, formerly a thriving oil field town of 3,500 is now a quiet community of 400 with a debt of more than $1,000 per capita. The little city of Imperial (about 2,000 in population) is headquarters for the Imperial Irrigation District, also a petitioner in bankruptcy. Four states only—California, Texas, Florida and Arkansas—have more than five taxing districts in bankruptcy. Only two states—Kentucky and Michigan—with more than fifty taxing districts in default report no petitioners.

COURT ACTION NOT ALWAYS NECESSARY

There are several reasons why municipalities and other taxing districts have been slow to enter the bankruptcy courts. First, so drastic a step is not necessary in the great majority of default cases because most municipalities will eventually be able to pay in full. Usually they are asking creditors to accept only an extension of maturity dates, and a readjustment of interest rates so as to lessen the interest burden for a few years. Generally, unless the plan involves a scaling of principal, there

is no necessity for going into the federal bankruptcy courts. Creditors are usually willing to coöperate to the extent of postponing maturities and sometimes reducing interest. Second, some petitions have not yet been filed because the taxing districts have not been able to get the consent of the required percentage of creditors. The novelty of the procedure, the fact that precedents and rules have not been settled, and doubt as to the act's constitutionality have also retarded use of this procedure. A fourth reason is that the mere presence of the act has in some cases induced minority creditors to accede to the plans of the majority. It has not actually been necessary to go into bankruptcy. Knowledge that the municipality and the majority could wield the "big stick" has been sufficient. But an even more important reason is that municipalities have sensed that this step invites a stigma which will materially damage their credit in the future. Filing of a petition under Section 80 immediately becomes news to the investing world, and singles out the petitioner from the general rank and file of defaulters. Moreover, cities have been warned by investment bankers and others that this act should be used only as a last resort.

STATE LEGISLATION

Failure by a majority of the states to pass statutes authorizing their municipalities to use the act seems to have had little if any deterrent effect. Section 80 does not specifically require enabling state legislation. By its terms it purports to reach political subdivisions, not only when the state consents, but also when the state has not exercised its power "to require the approval by any governmental agency of the state of the filing of any petition," or has no existing fiscal agency whose affirmative approval is required under the terms of the act. Nevertheless, following an opinion from the United States Attorney-General's office in which it was stated, among other things, that state legislation was necessary, more than a third of the states passed enabling statutes. Several of the statutes, however, are restrictive in nature. The Iowa and Oregon laws permit petitions only by special districts. In Louisiana, Michigan, North Carolina, Pennsylvania, and Oregon a state agency must first give its approval. In point of fact petitions have been filed in ten states which have no enabling acts.

With but two or three exceptions, the act has been used in an honest endeavor to effect a debt adjustment desired by the municipality and a majority of its creditors. The filing of a petition by New Orleans in April 1935 was but "by-play" in the feud between Mayor Walmsley and Senator Huey Long. Similarly petition by the village of Lemont, Ill., in May 1935 was but a

Debt Adjustments Under the Federal Act

Name of Taxing District	Principal Involved	Percentage Payment of Par Value	Reduction in Interest
Gillespie, Ill.	$ 236,000	50	Yes
Belleair, Fla.	1,049,000	100	Yes
Imperial Irr. Dist., Calif.	14,250,000	100	For 3 years
Lindsay-Strathmore Irr. Dist., Calif.	1,428,000	59.978	Yes
Merced Irr. Dist., Calif.	16,221,000	51.5	Yes
Sante Fe Irr. Dist., Calif.	688,000	53.55	Yes
Waterford Irr. Dist., Calif.	634,925	48.82	Yes
Imperial, Calif.	97,500	100	Yes
Poinsett County Arkansas Drainage Dist. No. 7	5,600,000	28.879	Yes
Chicot County Arkansas Drainage Dist.	705,087	31.1131	Yes

tactical move. The village president and board having been cited for contempt in a state court sought to delay action therein by placing the village in bankruptcy. The petition was promptly dismissed because the village had not secured the required consent of creditors.

The majority of petitions filed are still pending, but the character of the adjustments in a few cases where plans have been approved can be shown. (See table on previous page.)

Reconstruction Finance Corporation loans have provided the money for refinancing in most of the settlements of special districts. If a cash offer for a reduced principal is offered to the bondholders, and 85 per cent or more accept, the RFC disburses sufficient funds to pay such bondholders and takes possession of the district's outstanding bonds. A petition is filed solely to make the plan binding upon those who refuse the plan offered, usually a very small percentage of the original holders. Upon approval of the plan and completion of the settlements, refunding bonds are issued to the RFC in exchange for the original bonds. The refunding issues bear interest at 4 per cent and mature over a period of thirty to thirty-five years, whereas the original bonds usually bore interest at 6 per cent.

Experience under the act has already demonstrated that the machinery has certain good points yet could be improved. A decided advantage to the petitioner is that the court, after approval of the petition, usually halts all mandamus actions.[1] For example, after petition by Sarasota, Florida, had been filed and approved, the court stayed fifteen suits then pending against the city.

After approving the petition the court orders all creditors to appear and file their sworn claims on or before a certain date. A date for hearing is likewise set, generally sixty or ninety days after approval of the petition, and a short period after the date for filing claims. A special master may be appointed to represent the court. On the day of hearing all parties are heard as to the merits of the proposed debt adjustment plan. Testimony is taken and evidence presented. Questions of law are submitted by briefs, and the court may allow additional time for presentation of briefs on the part of objectors and for answer and rebuttal.

DELAYS ENCOUNTERED

Altogether the procedure is too slow. Municipalities in default can locate the owners of their bonds only with great difficulty. Yet before a petition can be filed the requisite consent of 51 per cent of the creditors (or 30 per cent in the case of special districts except as provided by H. R. 6982) must be secured. This in itself requires a long delay.

A further delay has developed in Florida because of a provision in the state refunding law requiring that all bonds be validated in a state circuit court proceeding. After one town successfully put its plan through the federal court, its refunding operation was further delayed by an attack on the validity of the bonds in the validation proceedings, and an appeal to the state supreme court after all objections had been overruled. Several of the Texas cases were delayed after a federal district court in that state ruled in *In re Cameron County Water Improvement District No. 1* (1934 S. D. Tex.) 9 Fed. Supp. 103, that the act was unconstitutional. Further proceedings were halted, awaiting action by the appeal court.

Only a guess can be made as to the extent to which the act will be used in the future. A greater number of peti-

[1]Mandamus will also not issue from a state court while a suit is pending in the federal court. See *Morris v. South San Joaquin Irrigation Dist.* (1935) 2 Cal. (2d) 492, 41 P (2d) 537.

tions by drainage, irrigation, reclamation and levee districts may be expected within the year now that the Miller bill (H. R. 6982) has made the procedure much easier for the petitioning district. The number of petitions by other municipalities will also likely increase. Some municipalities are just now, after many months of effort, securing the requisite consent for filing a petition. There have been an increasing number of petitions since January 1, 1936. Still other municipalities will decide to file petitions, now that the trail has been blazed. But there is a limit to the number of taxing districts that will resort to this procedure. The larger cities have, for the most part, already adjusted their difficulties. There are scores of municipalities that will never be able to pay their debts, but these are in the minority.

The petition filed in March 1936 by North Bergen Township may raise some interesting questions of practice since under the state's municipal receivership law the township's fiscal affairs are in the hands of the New Jersey Municipal Finance Commission. This will be the first time that state and federal legislation, both dealing with a municipality in default, have come into close contact. The relationship of the commission to the court, and the nature of the commission's control while the petition is pending and after the plan is approved are important matters to those who see complementary state and federal legislation as the most adequate solution to the problem of municipal insolvency.

JOINT LEGISLATION

Two approaches to the problem of joint federal and state legislation have been suggested. One is to tie the state administrative body in more closely with the federal bankruptcy procedure. Federal legislation cannot provide for an active leadership in financial rehabilitation, but state legislation can. A state receivership cannot coerce minority creditors, but a federal municipal bankruptcy act can. Each supplies the major limitation in the other. The other proposal pursues a different tack. State equity courts would provide all the court machinery necessary. Federal legislation would be needed, however, to give extra-territorial effect to state decrees. It is contended by able proponents that Congress might, irrespective of its bankruptcy power, pass a law declaring that a state insolvency or bankruptcy decree must be given full faith and credit in the courts of other states and in all federal courts. Article IV, section 1 of the constitution provides that full faith and credit shall be given in each state to the public acts, records, and judicial proceedings of every other state and that Congress may, by general laws, prescribe the manner in which such acts, records, and proceedings shall be proved *and the effect thereof.* It would seem that Congress under this provision could make state decrees nationally effective.

The constitutionality of the act has already been litigated in the lower federal courts. The Texas federal district court case, aforementioned, ruled that the act was unconstitutional. Several months later, however, two other federal district courts ruled favorably. Two appeals to the United States circuit courts (ninth and fifth circuits) are pending, but the question of constitutionality is now squarely before the United States Supreme Court, having been put in issue by a petition for a writ of certiorari from the United States circuit court of appeals, fifth circuit, which had upheld the constitutionality of the act in the case of *Cameron County Water Improvement District No. 1 v. Ashton,* No. 7830 (opinion dated

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Fiscal Aspects of Serial Bonds

Proper distribution of bond maturities an important aspect of the debt problem

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Much has been said and written during the last twenty years or so in favor of the straight serial type of bond issues as against the sinking fund type. For the benefit of the lay reader, it may be explained that a serial bond issue matures in annual series which are redeemed directly from appropriations, whereas a sinking fund bond issue matures at one single time and is paid off at one sweep from a sinking fund accumulated for the purpose during the duration of the issue. It is generally admitted that serial bonds possess the following merits:

(1) They are easier to administer than are sinking fund bonds. Their administration is free from the various complications with which the management of any fund, and particularly of a sinking fund, is beset. It is not necessary in their case to worry over the investment of funds, the adequacy of the accumulations to meet the obligations of the fund, the manner of disposing of surpluses or providing for the deficits of the fund, the possibilities of converting the assets of the fund at the proper time into cash at favorable prices, and over other like matters.

(2) It is more difficult for dishonest or careless officials to evade the requirements of the law as to the amortization or redemption of the debt in the case of serial bonds than in the case of sinking fund bonds. In the case of serial bonds, any such evasion becomes immediately apparent. It does not require an investigation, as it does in the case of sinking fund bonds, to determine whether the requirements of the law looking to the ultimate repayment of the debt have been complied with.

(3) The diversification of the terms of the bonds in the case of serial issues generally enhances the marketability of the bonds since every type of investor can find among the various series the exact term that will suit him best.

(4) At a time when shorter time investments are preferred, serial bonds whose average term is shorter than the term of the corresponding sinking fund bonds can be marketed more easily.

On the other hand, it is also recognized by many students of the subject that sinking fund bonds likewise possess certain merits and might continue to be used to advantage provided the financial managements are competent and know how to handle them. Their merits may be recapitulated as follows:

(1) In times of an extreme stringency in the money market, when loans are obtainable only at very high rates of interest and at large discounts (if they are obtainable at all) a municipality using sinking fund bonds may be able to borrow its current requirements from its sinking funds, at moderate rates of interest. Its sinking funds would have large cash incomes which might be bor-

rowed. The municipality may thus procure accommodations which it would have never been able to obtain under as favorable rates of interest or even under any rates of interest had it not been using sinking fund bonds. If the municipality borrows the money on short terms and restores it to the sinking fund at the proper time, it will in no way impair the soundness of the fund.

(2) In times of a severe business depression and decline of municipal revenue, a municipality may use its sinking funds to prevent a default. Under serial bonds, it may not be able to avert a default under the same circumstances. It is significant that some of the most serious defaults on long term bonds during this depression involved serial bonds.

(3) In times of high interest rates and low bond prices, a municipality may be able to buy for its sinking funds bonds bearing a higher rate of interest than required under its amortization plan, and it may, moreover, purchase such bonds at prices considerably below par. It may thus effect large savings in the costs of its indebtedness. A competent financial management may be able to obtain these results for the municipality even under ordinary circumstances.

(4) In times when long term bonds are in demand, sinking fund bonds become more marketable.

(5) In the case of refunding issues, sinking fund bonds are often preferable to the serial ones, for the reason that their terms are uniform. Uniformity of the terms is important in the case because the original bonds for which the new ones are exchanged are generally of uniform terms. Where the refunding bonds are serial in nature most of the bondholders prefer generally the earliest series, and since there are not enough of such series for general distribution, considerable friction develops.[1]

DISTRIBUTION OF COSTS AND THE RATE OF DEBT REDUCTION

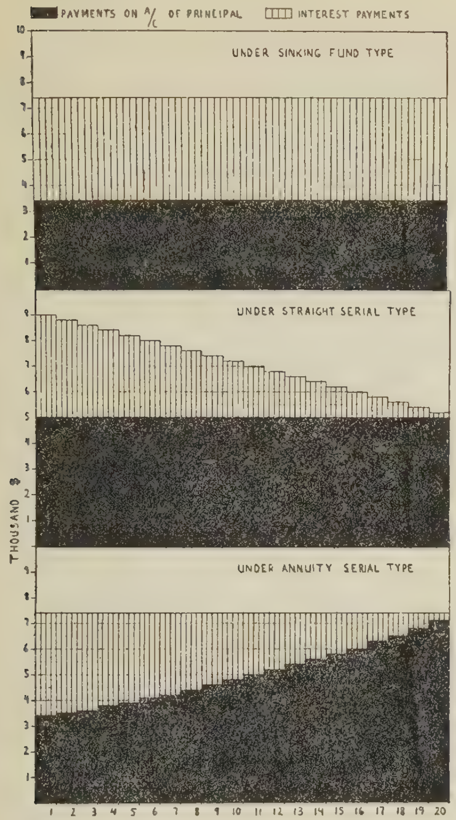
Serial bonds are compared with sinking fund bonds also as regards (a) the distribution of their costs during the duration of an issue, (b) the rate of reduction of the debt resulting under them, and (c) the aggregate costs of such debt. In making these comparisons it is necessary to distinguish between straight serial bond issues under which the same amount of bonds mature each year, and the annuity serials under which the maturities increase from year to year in the measure in which interest charges decrease.

As can be seen from graph I, the annual costs to the municipality of a sinking fund bond issue and of an annuity serial issue, remain uniform from year to year throughout the life of the issue; and if the terms and interest rates (paid or earned) in the case of both types of issue are the same, their annual costs to the municipality are identical. This uniformity and identity of annual costs in their case, however, is not obtained in the same way: in the case of sinking fund bonds, both the payments on account of the principal and the payments on account of the interest run on an even keel. In the case of the annuity serials, on the other hand, the payments on account of the principal increase from year to year while those on account of the interest decrease. It should be noted, however, that in the actual operation of the sinking fund bonds, certain deviations from this even distribution of costs occur from time to time. Whereas the amounts paid as interest remain the same throughout the duration of the issue, the amounts paid on account of the principal require periodic

[1]The ablest statements of the pros and cons of serial bonds are found in A. D. Chandler's article in the *American Economic Review* (December, 1913); in Luther Gulick's chapter on the subject in A. E. Buck's *"Municipal Finance"*; in the National Municipal League's "Model Bond Law," second edition, 1929; in Lent D. Upson's *"Practice of Municipal Administration"*; and in T. D. Zukerman's article in the *Annals* of the American Academy of Political and Social Science (January, 1936).

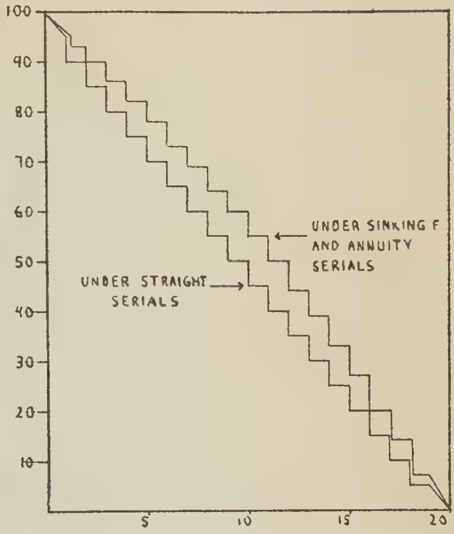
GRAPH I

Annual Cost to the Municipality of a $100,000 Bond Issue under Sinking Fund, Straight Serial, and Annuity Serial Types of Issue



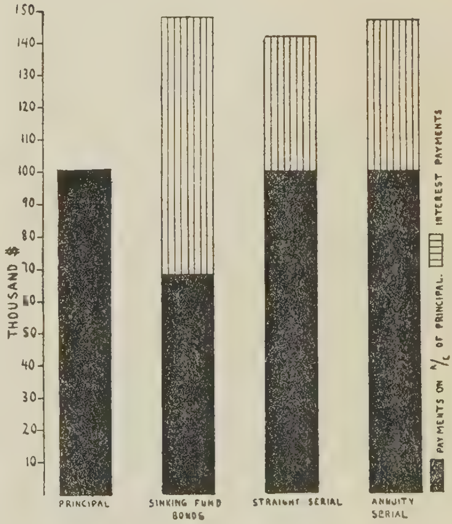
GRAPH II

Net Outstanding Debt at End of Each Year in the Case of a $100,000 Bond Issue, 20-Year Term 4% under Sinking Fund, Annuity Serial, and Straight Serial Types of Issue



GRAPH III

Total Costs of a $100,000 Bond Issue under Sinking Fund, Straight Serial, and Annuity Serial Types of Issue



readjustment. When a higher rate of interest is earned by the sinking fund than required, it becomes necessary to reduce the amortization installments. If the opposite occurs, and the earnings fall below the requirements, it becomes necessary to increase the installments.

By contrast with this even distribution of the costs of the sinking fund and annuity serial issues, the costs of a straight serial issue are decreasing from year to year. They begin at a higher level than that at which the others run, but end at a lower point.

As shown in graph II, the rate of reduction of the debt in the case of the sinking fund bonds, (barring the un-

expected irregularities to which reference has been made) is identically the same as in the case of annuity serial bonds. In both cases the rate is slow at first, and becomes more rapid later. In the case of straight serials, on the other hand, as shown in the same graph, the rate of reduction of the debt is, from beginning to end, uniform.

As shown in graph III, sinking fund bonds (again barring the irregularities mentioned) and annuity serial issues cost the municipality, in the long run, more than the straight serial bonds. The difference is in the amount of interest paid. In the case of the straight serial bonds, less interest is paid in the aggregate than under either of the other two types of bonds for the reason that the indebtedness is reduced in their case more rapidly than in the latter instances. The municipality has the benefit of the full or nearly full amount of the loan in the case of the straight serials during a shorter period than in the case of the other issues. Therefore, it does not have to pay as much interest.

PAY-AS-YOU-GO DESIRABLE

Assuming that the borrowing municipality is able to make the heavier payments required of it in the beginning under a straight serial issue, it will pay the municipality under the present fiscal circumstances to use straight serials in preference to the other types of issue. The municipality will secure thereby the benefit of a greatly reduced debt and of greatly lessened debt charges after a few years, and will be able to finance new capital outlays without increasing its debt or the burden of its debt charges on the budget. Its credit will improve.

It may be well for the municipalities to recognize that they cannot keep on pyramiding debt in the future as they have been in the past. Most of them have paid a heavy penalty during this depression for having borrowed inordinately in the past. The embarrassments they have suffered need not be recounted. They will pay even a heavier penalty in the future should they indulge in the same practices once more. For it is quite apparent that the growth of our cities in population and in wealth will not be as rapid in the future as it has been in the past. Our cities may not be able, under these circumstances, to expand their budgets as rapidly as they did before the depression. The decline in our immigration and in our birth rates, and the trend towards the decentralization of our industry and population under the influence of motor transportation and other factors, clearly point to that conclusion.

To insure their continued solvency, therefore, the municipalities must avoid undue encumbrances against their future budgets. They should provide for a rapid liquidation of their existing indebtedness and for a rapid reduction of their existing debt charges, and for a gradual transition to a pay-as-you-go plan. Such a transition may be effected through the allocation in the budget each year of an ever larger appropriation for capital outlays. The employment of straight serial bonds — in so far as bonds might still be issued — will facilitate this transition. For, as the debt charges under serial issues will decrease, larger appropriations for the direct financing of the capital outlays will become possible, without increasing the burdens on the budget of the combined debt and capital expenditures. The best time to begin to shift to a pay-as-you-go plan is now, when the capital outlays in most of the municipalities are very moderate in amount. It will be much more difficult to make these changes later on.

Sinking fund bonds should be employed only by municipalities possessing capable financial managements or operating under effective state supervision; and they should be used, under

present circumstances, on a restricted scale. The use of the annuity serial bonds should be discouraged for they result in ill-advised postponements of debt payments.

The shift to straight serials and to a partial pay-as-you-go plan would result in a material improvement in municipal finances, however, only if it is accompanied by certain supplemental fiscal devices. These are: (1) the restriction of future bond issues to moderate terms; (2) careful planning by each municipality of the maturities of its entire outstanding and projected indebtedness; (3) the wider use in future bond contracts of callable features; and (4) the insertion in such contracts in the future of clauses permitting the refunding of the bonds under certain circumstances and within certain limits.

As has been pointed out by the writer years ago, when municipal credit was still blooming, municipalities should seldom issue bonds for terms exceeding twenty years. In the case of most of their loans for capital outlays, terms of ten, fifteen, and twenty years should suffice. Borrowing for longer terms results in a dangerous pyramiding of the debt.[2] The correctness of this advice and these warnings has been amply sustained by the developments which have taken place in the field of municipal finance during this depression. The municipalities which had followed the policy of restricted borrowing and had limited their loans to moderate terms have sustained the storm of this depression much better than those that have not. The ability of the municipalities to withstand future depressions depends in no small measure upon the restriction by them of their future borrowings to moderate terms.

[2]See Paul Studenski, *Public Borrowing* (National Municipal League) 1930, chap. VI; also earlier articles.

COMPREHENSIVE PLANNING OF MATURITIES

It has been customary for municipalities to fix the term of each bond issue without regard to the distribution of maturities of their entire indebtedness and without relation to other such pertinent factors. Their tendency has been to fix the term in each case according to but one consideration, that of the probable life of the improvement to be financed in the case. As a result, in most of the municipalities the maturities of the indebtedness are distributed in a most irregular and faulty manner. Their concentration in certain years and otherwise faulty distribution has in a number of cases caused municipal defaults and other difficulties.

The term of each bond issue (whether of serial or sinking fund type) should be fixed in the future in relation to the debt maturities of all other outstanding issues and with due regard to the need of the municipality for new capital financings in the future. Each municipality should have at all times a definite plan of debt maturities and a schedule of debt service with which the terms of any new bond issues should conform. At the present time scarcely any municipality has such a plan. Few, in fact, even know what their debt maturities (other than those maturing in the current year) are; and still fewer know what interest charges will need to be paid by them each year during the existence of the debt. Very few municipal financial reports contain information of this sort. To prepare a few illustrations showing the distribution of the debt maturities in some municipalities, it was necessary for the writer with the assistance of others[3] to examine a considerable number of financial reports, most of which were found not to con-

[3]Appreciation is expressed to Dr. F. L. Bird of Dun and Bradstreet's for the suggestion of pertinent financial reports.

tain the required information. In the instances in which a proper schedule of debt maturities was found, it was generally necessary to compute the interest charges in order to complete the information. It should be made incumbent on the municipal financial managements as a first step towards a planning of the debt maturities of their municipalities to prepare a schedule showing what the present distribution of debt maturities and interest charges in their city is, and to present this information in their financial reports.

In some municipalities comprehensive planning of debt maturities has been attempted recently. In every case this planning has taken place in connection with the refinancing of a debt either in consequence of a default or as a means to avert one. Too frequently the planning in these cases has been so strongly dominated by a desire to reduce the immediate charges on the budget as to result in a neglect of the exigencies of the future.

LACK OF PLANNING OR BAD PLANNING

On the opposite page a few significant illustrations are given of the distribution of the maturities and debt charges in several municipalities under the serial plan of bonds. Most of these distributions are open to criticism. Some of them are the result of a total failure of the municipalities concerned to plan their debt maturities and debt service as a whole. Others are the consequence of improper planning.

One of the most conspicuous examples of unplanned or poorly planned distribution of maturities is that of Salt Lake City. The maturities in this case, as will be seen from graph IV, are distributed in an extremely irregular manner. Unless the municipality establishes a sinking fund for the eventual retirement of some of its supposedly serial issues, it will be confronted with very serious embarrassment at the time these issues mature. Much more satisfactory (although not altogether impeccable) are the distributions of the maturities and debt charges in Scranton and Harrisburg, shown in the same graph. But the best distribution is found in Cleveland Heights. It will be noticed that the debt of that city will be liquidated in practically twelve years and that the debt service is reduced in a fairly uniform manner. Should Cleveland Heights decide to shift to a pay-as-you-go plan, it could accomplish this shift without any difficulty.

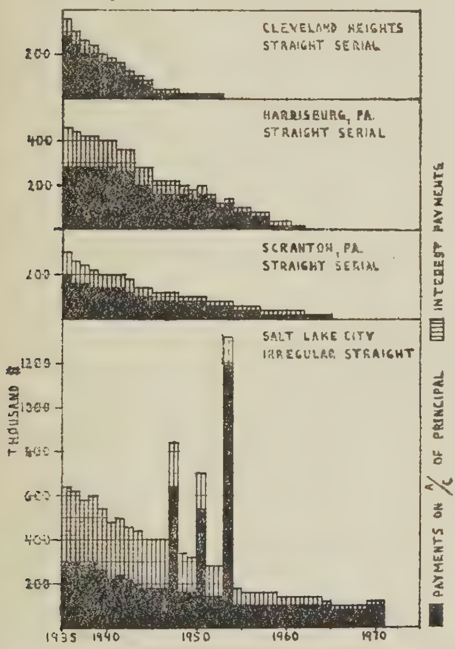
In graph V the reader will find two prominent examples of bad planning of maturities under refinancing plans. These are the cases of Newark and Detroit. It will be observed that in both instances the maturities are so arranged that the debt service increases during the first few years. In Newark, where straight serials are used, the debt service declines eventually, but it extends altogether over a period of almost fifty years. The rate of repayment of the debt is far too slow. In Detroit, where annuity serials have been employed, the rate of repayment is likewise slow and the bulk of the repayments are shifted to the future. The debt charges, after climbing to a high plateau and continuing on it for years, come to a sudden stop in 1963.

Finally, in graph VI, two other instances of imperfect planning of maturities under refinancing programs are presented. These are the cases of Cape May, New Jersey, and Troy, New York. In Cape May the original distribution of the maturities, as may be seen, was very irregular. Moreover the maturities concentrated in the main during the present period. Under the refinancing plan, annuity serials have been employed, most of the maturities have been placed in the later years, the debt service immediately ahead was cut and the debt charges generally were distributed

evenly over the next thirty years. Should the city undertake new capital financings in the future, either by the issuance of bonds or on a pay-as-you-go plan, the burden of such a financing on the budget will increase (unless the budget as a whole increases too). Obviously, the municipality must have been very seriously embarrassed if it had to resort to a plan of this kind.

GRAPH IV

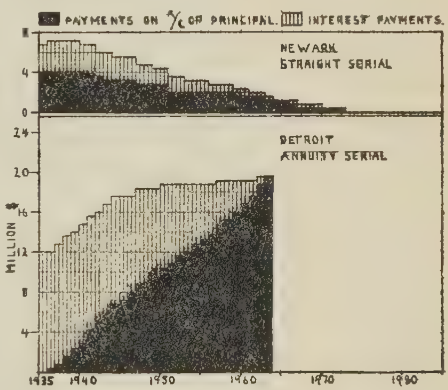
Annual Debt Charges in Cleveland Heights, Harrisburg, Pa., Scranton, Pa., and Salt Lake City



In the case of Troy, as seen in graph VI, a very queer distribution of maturities has been provided. This peculiar distribution is partly a result of an original irregular distribution of maturities, and partly a consequence of a newly adopted plan of refinancing a portion of the city's debt. This refinancing is being carried out under the so-called "equalization plan" devised by the New York State Department of Finance and incorporated in a law passed in New York in 1935 (chap. 295). Under this law, any municipality is empowered on a petition filed with the state comptroller prior to December 1, 1936, and with his approval, to issue so-called "equalization bonds." From

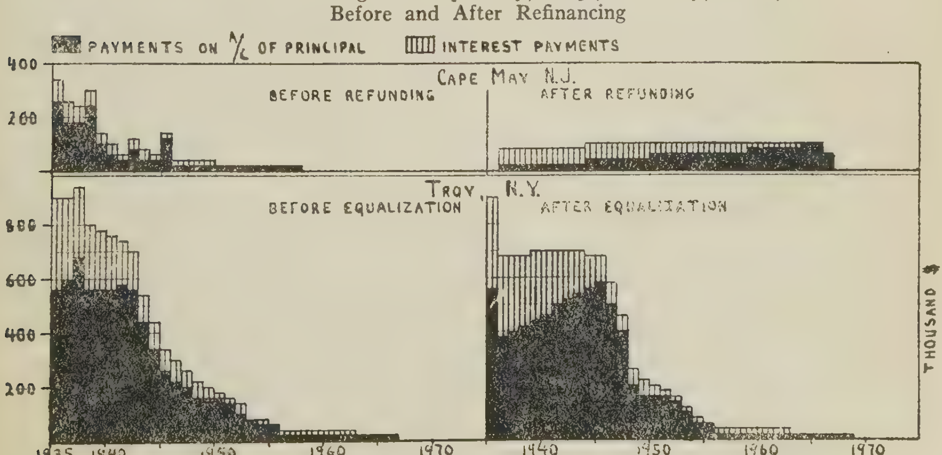
GRAPH V

Annual Debt Charges in Newark and Detroit on Tax Supported Debt after Refunding



GRAPH VI

Annual Debt Charges in Cape May, N. J., and Troy, N. Y., Before and After Refinancing



the proceeds from the sale of these bonds the municipality may pay off a part of its currently maturing bonds. It may issue the equalization bonds at any time prior to December 31, 1942, up to two-thirds of the amount of the currently maturing debt. It can issue them within these limits, in such amounts and for such terms as will equalize the annual debt charges of the city over a period of years. Taking advantage of this plan, Troy is now issuing "equalization bonds" by means of which it is paying off a part of its large maturities now falling due. It is shifting about one-fourth of its debt charges of the years 1936-1942 upon the years 1943-1946. The distribution of debt maturities under this equalization plan resembles in part a distribution obtained usually under an annuity serial plan of refinancing and in part one obtained under the straight serial plan of refinancing. It is really a "hybrid" plan.

The problem of planning debt maturities is not an easy one. We have scarcely begun to tackle the problem and will need to consider it carefully in its various aspects in the years to come.

CALLABLE FEATURE AND REFUNDING BONDS

Even under the best of planning it is impossible to distribute debt maturities in such a way that they will work perfectly under all circumstances. It would be wise for municipalities to reserve to themselves the possibility of readjusting their schedules of debt maturities under certain conditions. Bonds issued for terms of ten or more years should bear a clause permitting the municipality to call the bonds before the date of their maturity, perhaps, at prices slightly above par, after the expiration of a certain number of years. A municipality would then be able to take advantage of a sudden drop in money rates and to refund some of its outstanding bonds into lower interest-bearing ones, thus effecting substantial savings in its outlays for interest. The callable feature need not affect the price of the bonds adversely if it is so fixed that it may not be brought into effect before the expiration of, say, five or ten years from the time of the issue of a bond.

The bonds should also bear a clause permitting the municipality in the case of a severe economic crisis or other national emergency to refund its maturing bonds into new bonds, provided such new bonds bear a slightly higher rate of interest and run for not more than, say, five years. Such crisis or emergency would be deemed to exist when Congress proclaims it. A provision of this sort would enable a municipality to avert a default under conditions of this kind and so to reorganize its finances as to meet all its obligations eventually. It is hardly wise to place upon municipalities iron bound obligations which they could not possibly fulfill.

SUMMARY

To summarize the conclusions of this discussion, under present circumstances main reliance should be had by municipalities on straight serial bonds; the use of annuity serials should be avoided; a gradual transition to the pay-as-you-go plan should be inaugurated; such bonds as are issued should run for moderate terms, not exceeding generally twenty years; debt maturities should be planned with relation to the entire indebtedness of the city and with a view to effectuating a proper downward gradation of debt charges; callable features should be introduced in most cases of long term bonds; and provisions should be made generally in bond contracts for the possible refunding of the bonds at slightly higher rates of interest for terms of maximum five years in cases of national emergencies.

The Importance of Sound Governmental Credit

Reduction in interest rates would release funds for much needed services and public improvements

T. DAVID ZUKERMAN

Regents Inquiry into the Character and Cost of Education in New York State

THE evidence is multiplying that this country is slowly emerging from the depths of the economic depression in which it has been engulfed so long, and that in consequence government—state and local at least—is recovering from the most serious aspects of the financial crisis which the depression entailed. As was noted at the annual conference of the National Association of Mutual Savings Banks held at Atlantic City last month, there is an encouraging trend to better tax collections. Current delinquency is decreasing and collections of accumulated arrears are making operation on a cash basis easier. Accordingly, another agreeable tendency noted was the fact that the debt load of municipalities generally was not greatly increased during the past year. Such facts, together with the recognition of unsound financial practices of the past which affected their credit adversely and the enactment of legislation to eradicate them, have done much to restore government credit.

However, jubilant officials who have seen the bonds of their units rise from a discount of as much as thirty points or more below par to ten or fifteen points above par and who have seen investment bankers bidding eagerly and paying handsome profits to the RFC for the municipal securities which could not be sold at legal rates of interest at the time of issue, should not misinterpret the reasons for their ability to issue their obligations at the very low rates now prevailing. That they are less an indication of good credit than of a very strong investment demand of idle money avidly seeking a profitable outlet is visible from comparisons with the past when there was no income tax to give them an exempt status and with the corresponding yields at which the bonds of strong industrial, utility, and railroad corporations have been issued recently and are selling currently.

Slightly more than a year ago, for example, New York City sold a refunding issue of serial bonds with an average maturity of 27½ years to a banking syndicate on a basis of 3.47795 per cent. Bonds with a 4 per cent coupon of the 1965 maturity were offered to the public on a 3.65 per cent basis. At about the same time, however, the Edison Illuminating Company of Boston sold the bankers a thirty-year issue of $53,000,000 sinking fund 3½ per cent bonds at a substantial premium, after rejecting an offer of a lesser premium for a 3.40 per cent coupon. They were priced to the public at 103.79, or on a 3.30 basis. On November 25, the city issue was selling at a price to yield 3.87 per cent, although a subsidiary of the

New York Edison Company saw its 3½ per cent bonds go at 102, a yield of 3.40, for the same maturity.

There are plenty of other examples. Somewhat over a year ago, Newark's 3¾ per cent bonds with 1946-1950 maturities were offered at a 4 per cent basis, whereas Chicago Union Station 4's yielded only 3.94 per cent for 1963 maturities. On July 30, 1935, the public offering of Seattle's $1,500,000 of 4 per cent bonds with 1943-1949 maturities was at par; whereas Wilson & Company's $20,000,000 4 per cent issue due in 1955 was also sold at par and the Brown Shoe Company's $4,000,000 issue with the same maturity, which also brought par, carried a coupon of only 3¾ per cent. In October the Socony Vacuum Oil Company's $50,000,000 issue went at par carrying a 3½ per cent coupon.

In August, the Pennsylvania Railroad sold $15,282,000 of equipment trust notes, and the public offering was at prices for the various maturities that compared very favorably with the corresponding yield of municipal short term serials. At the date of this writing, Southwestern Bell Telephone, a 3½ per cent issue floated last December at 102½ for a 1964 maturity, sold at 107, or a yield basis of 3.15 per cent; whereas New York City's 4¼'s of the same year was quoted at 113¾ bid and 114½ asked. At 114 the yield is approximately 3.68 per cent. Detroit's recent issue of 3½ and 4 per cent refunding bonds were floated to the public at 3.70 per cent for the 1949-1951 maturities and 3.75 for those of 1952-56. Yet Inland Steel 3¾'s of 1961 are selling at a substantial premium, as are Bethlehem Steel's 3½'s of 1960.

VANISHING INFLUENCE OF TAX EXEMPTION

Ordinarily the yields from municipal bonds are lower than from equally high grade bonds of railroads, utilities, or industrial corporations. A comparison made for fifteen issues of each class showed the yield on municipals to be lower by 14.66 to 22.53 per cent in 1922 and 1923, this differential decreasing almost half for railroads and utilities and but slightly for industrials by the end of the decade.[1] The reason naturally lies in exemption of the income from federal income taxation, as well as from similar taxation in the state of issue.

In view of recent sharp increases in surtax rates, that differential should be greater. For incomes at the $50,000 level, a yield of only 3.26 per cent from a taxable source is the equivalent of a tax exempt return of only 2¼ per cent. To secure a similar return the very largest incomes would have to earn 10.71 per cent from a taxable bond. Even with incomes as low as $10,000-$12,000 or for corporations the spread between a tax free yield of 2¼ per cent and the equivalent taxable return is from .28 to .34 per cent, and without taking into account the effect of state income taxes. Hence the situation is far from reassuring.

These are not the worst comparisons that can be made. On the other hand, it should not be thought that there are not governmental units whose credit is such as to secure rates in keeping with these considerations. An issue of the state of Massachusetts was reoffered at rates up to 2½ per cent for the thirty-year maturities somewhat more than a year ago; and New York State also is an example. Boston and Kansas City are examples of municipalities enjoying the highest credit ratings, and there are others. New England communities generally manage to secure favorable rates; and this is especially true of those in Massachusetts, which show yields comparing favorably with the rates paid by

[1] "Cost of Government in the United States 1929-1930." National Industrial Conference Board, New York, 1933. Table 15 on page 53.

the federal treasury and the state of New York.

In general, however, the spread noted in a casual charting of yields on municipals over a period of time is surprising and disheartening. For tax anticipation borrowing it ranged from 0.134 for nine months by Brookline, Mass., and 0.164 per cent by Wellesley, Mass., to the 4, 3 and 2 per cent paid by New York City under the agreement with the bankers. (The state of Massachusetts sold a $900,000 note issue last July running for four months at 0.10 per cent plus a premium of $12.) One-year maturities have been noted at from 0.25 to 2 per cent and ten-year at from 1.90 to 4 per cent. Seldom was a difference of less than 2 per cent noted, and frequently more.

LOSS TO TAXPAYERS

It would be difficult to say what is the loss to the American taxpayer arising from the poor credit rating of his governmental organizations. In 1901 63 per cent of all municipal bonds issued carried 3 and 3½ per cent coupons, and the serial bond was practically unknown. In 1934, when term issues were rare, only slightly over 36 per cent carried such coupons, and the range was all the way to 5 per cent and more. Certainly it is not too much to say that, if proper consideration were given to the elements that make for good credit it would be easy to make a general saving averaging ½ per cent. On the approximately twenty billion dollars of state and municipal debt outstanding that would mean $100,000,000 a year. It would probably be as easy to double that figure.

The importance and significance of such saving cannot be overestimated. It could help lighten the burden on the taxpayer or furnish some of the funds needed to meet the relief problem. The sounder credit which it would reflect would have enabled governments to continue with their needed public improvements under programs already charted instead of the diminution thereof with the consequent effect of increasing unemployment and intensification of the depression. Cheaper money, a smaller return on investments, might have had the effect of increasing consumption and reducing the excessive savings which economists now insist are the cause of depressions. The redistribution of wealth which the New Dealers are insisting upon might have come about more naturally.

From the standpoint of the investor sound credit is equally important, as is shown by his willingness to accept a lower return when assured of safety and stability. And who is the investor? To a not inconsiderable degree the investor is represented by such institutions as savings banks, insurance companies, trusts, foundations, etc.,—in other words the trustees of the retired annuitant, the widow, the orphan, universities, hospitals, churches and similar eleemosynary organizations as well as the ordinary citizen's mite put away to meet rainy-day needs. In the case of a southern city examined, not less than 25 per cent of its bonds and notes were held by insurance companies and fraternal organizations, many of whom would be seriously affected by any embarrassment which might compel valuation at less than book figures.

NEED OF CAPITAL EQUIPMENT

One of the chief characteristics of modern civilized society is the constant growth in the use of machinery and other capital equipment per worker. It is that which contributes so much to increasing our productiveness. Installed primary power per wage earner increased by two-thirds in the thirty years from 1869 to 1899 and it more than doubled in the succeeding thirty

years. Considered as part of the national wealth, the value of manufacturing machinery rose from some $500 in 1900 to $1,750 in 1922, the last year for which figures are available. Similarly the value of the telephone systems rose from $5.25 per capita to $16 during the same period and even faster in relation to employment within the industry, especially in view of recent mechanization. On the farm the value of implements and machinery rose from $105 per farm in 1850 to $525 in 1930, or from 52 cents per acre to $3.35.

What is true in these instances is true generally, and it applies with equal force to government, which has traveled far from the days when it meant little more than the police and the taxing power. Today governments furnish innumerable essential services vital to the well-being of the citizen. To provide these services increasingly requires the acquisition of costly capital equipment. Urbanization and growing congestion bring new problems with them which necessitate ever greater investments, as do the development of new modes of transportation such as the automobile, and new modes of thought such as spring from depressions.

ACCELERATING DEMAND FOR PUBLIC IMPROVEMENTS

Since 1925 surfaced highway mileage in state systems has more than doubled; and from 1921 to 1930 the mileage of all surfaced roads increased five times as fast as did the population. The value of public school property rose fourfold per enrolled pupil between 1910 and 1932—from $61 to $250; and annual expenditures for the purpose rose from $2.06 in 1890 and $3.93 in 1910 to a peak of $17.50 in 1925. New York City alone expended about two billion dollars for public improvements of all kinds in the sixteen-year period 1918-1933, averaging slightly more than $43,000,000 annually during the first three years of that period and $229,000,000, four and one-half times as much, during the three years 1929-1931. It is not surprising, therefore, that state and local indebtedness has grown more than fourfold in less than two decades, rising from $4.7 billion to $19.8 billion, or from less than $50 to $150 per capita. Annual borrowings rose from about $450,000,000 in 1916 and 1917, after a drop to $300,000,000 the following year, to a peak of $1.5 billion in 1927 and 1930. Although there was a substantial drop during the next two years, and the federal agencies had to be called upon for assistance, in the form of both loans and grants in addition to the sums spent by the CWA, the FERA, and the WPA for public construction by work relief, 1935 saw a recovery to within a quarter billion dollars of the peak.

The increase in refunding, while substantial, was not sufficient to offset the resumption of the trend, which will undoubtedly continue, despite charges of "extravagance," after making allowance for changed price levels. Indeed, if recent reductions in construction costs be taken into account, the borrowings of the last two years must indicate that a new peak has already been reached.

For, although work relief has provided and perhaps more than made up for interrupted programs of public improvements, it was only in particular aspects, in keeping with the principles underlying the philosophy of work relief. In other respects there has been again, as during the world war, a piling up of needs which may soon be pressing. In a recent survey, for example, the National Education Association estimated that, apart from the requirements arising from consolidation, a billion dollars was needed to house more than two and one-half million children in modern school buildings, in order to take them out of outmoded, obsolete,

insanitary, and condemned buildings, as well as to reduce part time, as the result of the virtual cessation of construction since 1930.[2] How are we to secure these facilities? How finance and pay for them?

The Census Bureau estimated the expenditures for state and local government in 1932 to be as follows:[3]

Operation and Maintenance	$6,357,052,000
Interest	843,868,000
Outlays	2,361,695,000
Total Governmental Cost Payments	$9,562,615,000

HEAVY BURDEN FOR DEBT SERVICE

A study of expenditures for education in New York State for that year indicated that there had been a duplication in the amount devoted to state aid. It is probable that this duplication extended to such aid for other purposes as well and in the other states likewise. Thus the estimate above can be reduced by the amount shown as receipts from subventions and grants, some $868,000,000. Slightly over a billion dollars, most of which went for capital outlays, was borrowed. Total debt service has been estimated at $1,494,000,000,[4] which would indicate some $650,000,000 for redemption and amortization. Adjusting for these factors would point to total current costs of state and local government in 1932 amounting to about $8.5 billion, of which a third was devoted to capital outlays (probably including work relief) from current funds and debt service on borrowings representing past outlays.

This is about in keeping with general tendencies, though there are numerous cases where the debt service alone absorbs half or more the total operating budget. Such would be the situation in the city referred to above if proper provision were made for amortization of the term debt. As it is, the requirements for interest alone were in excess of the proceeds of the constitutionally limited tax rate of 1.25 per cent. In Westchester County in 1934 "42 cents out of every dollar in the tax levy went for the support and retirement of outstanding bonded debt. If every governmental service in the county were to be abandoned—all of the activities dealing directly or indirectly with public health, welfare, safety, and education—the residue of fixed charges plus the costs of assessment, equalization, levy and collection essential to meeting those fixed charges, and the reserves for slow and uncollectible taxes, would still leave the county with a per capita tax burden on property almost as high as the present average for all purposes of local government throughout the State of New York."[5]

For ultimately the "chickens must come home to roost." Sooner or later the budget and tax rate must reflect the original cost of the capital facilities needed, and if they are acquired with the proceeds of loans, with interest thereon depending on the credit of the issuer, and the judgment applied in the use of such credit.

BENEFITS FROM SOUND FINANCIAL PRACTICES

From 1926 to 1932 the net funded and floating debt of the states and localities increased 66 per cent; that of Massachusetts municipalities 26 per cent. For the 39 cities thereof interest

[2] "The Nation's School Building Needs." Research Division of the National Education Association. Research Bulletin XIII, No. 1, January, 1935.

[3] "Financial Statistics of State and Local Governments 1932." U. S. Department of Commerce, Bureau of the Census, Washington, D. C.

[4] "Internal Debts of the United States." Edited by Evans Clark, New York, 1933. Macmillan. Table 70, page 258.

[5] Summary Report on "Land Uses and Local Finance." Westchester County Commission on Government. December, 1935. p. 37.

absorbed but 8.1 per cent of the current charges against revenues and total debt service 19 per cent; for towns over 5,000 population the respective percentages were 5.9 and 15.8 in 1932. Only 50 of the 355 cities and towns had to avail themselves of the facilities afforded by legislation in 1933 to borrow from the state to meet the emergency arising from increasing tax delinquency. Less than half the amount made available by the state was thus borrowed.

That shows what sound practices imposed as the result of good debt laws, proper budget procedure and intelligent accounting and reporting will accomplish. How different from the condition of the southern city referred to where about a sixth of the net debt clearly represented the funding of floating deficiencies in revenue and 55 per cent funding, floating, and refunding indebtedness. Not a single term issue that matured since 1918 was met except by refunding, including issues that already represented refunding operations previously and bonds to meet which special assessments had been collected. Finally even serial maturities of refunding issues could not be met and were converted into thirty-year refunding bonds.

Communities with such records do not contribute very much to economic soundness. Rather do they stand revealed as sore spots that add fuel to the flames in times of crises. The sooner they face the facts bravely and act in determined fashion to start afresh on the right path, the more will our economic fabric be strengthened and government be prepared to make a real contribution to the prosperity of the people.

The acquisition of additional facilities requires increasing sums for upkeep and, ultimately, for replacements. Work relief has disclosed the distressing physical condition of much public property because of inadequate maintenance. It will be better for all concerned, including the lender, if the sums now devoted to excessive interest payments were devoted rather to satisfactory maintenance. Sound, safeguarded credit will make that possible. Can we afford to postpone further taking the necessary steps to assure it?

EDITORIAL COMMENT

(Continued from Page 318)

tion of a community must involve analysis of the private debt as well as the debt of the various overlapping governmental units for which that community is responsible, nevertheless the Rightor tables are encouraging as indicative of the extent to which the cities as legal entities have tackled their financial problems in earnest during this period. That debt should be curtailed at a time when cities needed money desperately and when they could obtain it easily and at most favorable interest rates is certainly testimony on the side of sound and conservative management.

H.P.J.

The Decline, Fall and Resurrection of the Credit of the City of Detroit[1]

Despite a huge debt load, a long depression, and closed banks, all of which proved too great a strain on its financial stability, Detroit has pulled itself out of the mire of default to a place where its bonds are again in demand as investments

HENRY HART *Vice President, First of Michigan Corporation*

WHILE attending the convention of the Investment Bankers Association last fall, I had the privilege of hearing an able address on the perplexities of handling a municipal bond portfolio for a large insurance company. The speaker, Mr. Mansfield, then of the Prudential Life Insurance Company, is an outstanding authority on the subject of municipal credit, and has had some $170,000,000 of municipal securities to look after for his company. He had plenty to tell a group of municipal bond men about the bonds they had sold, or had tried to sell, it. In a most entertaining style he paid his respects to several prominent cities relative to municipal credit and told how they had given him the jitters through the depression years.

As might be expected in such a discussion he did not omit reference to our own city of Detroit. He said something like this: "Think of Detroit in 1932. When I walked through its dimly lighted streets in that dismal year looking for a friend to find out when the sheriff was going to take charge, I thought of what was said about ancient Carthage—it must be destroyed. Now look at the damn place, redeeming its bonds, and acting as though it had always been a three per cent town—and winning a world series. It never could have won a world series in 1932. The General Motors Corporation and the Bondholders Protective Committee won those ball games."

That was the first time I ever heard a bondholders committee given credit for anything! And perhaps it is the first time you ever heard that the price of Detroit bonds had anything to do with the winning of the world series!

Before talking about what happened to Detroit's credit, I should like to turn back the pages of the city's history several years, and pay homage to the part that this intangible thing called "credit" played in its development and progress.

We started the present century as the thirteenth largest city with a population of 285,000, and when the last census was taken in 1930 we stood fourth, with a count of 1,568,000. And while we were increasing our population five and one-half times, we were also expanding our area nearly five-fold.

Picture the problem during this period of keeping up with the constant demand for increased water supply, fire protection, educational, recreational and sanitary facilities, and—with the advent of the automobile and traffic congestion—paved and wider streets. In addition, the city acquired its transportation system and assumed the responsibility of expanding it to keep pace with the growth in population and area.

[1]Address delivered before the Economic Club of Detroit, with some revisions.

The medium that made all of this possible was the city's credit. The pay-as-you-go system of providing for capital improvements out of current revenues would have been prohibitive under such conditions. If Detroit's credit had not been equal to that responsibility, and could not have furnished the capital for these necessities, probably the automobile industry would have gone elsewhere, and perhaps we should be resembling in size and importance the kind of town we once were in the horse-and-buggy days of the nineties.

But what was the price we were paying while we were graduating from the small to the great city class in such a short period. We increased our debt from the modest little figure of about $20,000,000 in 1915 to a sum in 1933 which resembled the national debt of the good old days, over $400,000,000. When our credit structure broke down in that year it was freely said that we were paying the penalty of the extravagant waste of politicians. That may be true. Our system of government makes waste inevitable. We had too much marble in our schoolhouses, too many pavements to serve only white stakes, and we started off too lavishly on our unemployment relief program. But by and large the expenditures were for necessities. The people themselves demanded the frills, voted the bonds, and raised no protests when the real estate interests demanded the improvements in their subdivisions.

But as to the part that credit played, it is remarkable how well it stood for so long the tremendous strain that was put upon it. Ordinarily if a city attempts to borrow money too often and in too large quantities, the investing public gets fed up on seeing its bonds always hanging over the market, and is wary about making additional purchases unless lured on by unusually attractive interest rates. For eight out of the eleven years between 1920 and 1931 Detroit's debt increased over $25,000,000 a year, and in three of these years the amounts totaled over $40,000,000, $50,000,000, and $60,000,000 respectively. That was certainly enough to plug all of the holes in the demand for Detroit bonds, as a bond man would express it.

BONDS WEAKEN

Beginning with 1930 the first real signs in the weakening of Detroit's credit position began to appear. Its bonds did not command the same relative improvement in price after the panic of late 1929 that other bonds did, and when the big toboggan slide in security prices started in the middle of 1931, Detroit was way ahead of the procession. By the summer of 1932, the line representing the quotations on the city's bonds had disappeared way below the chart, and did not reappear until about a year and a half ago.

It was a mad race during those early 30's to try to complete the financing of our tremendous public improvement program before the grand crash, and in the face of a rapidly declining credit position. The city hall ground out over $80,000,000 of new bonds in 1930 and 1931, and when the saturation point had about been reached in 1932, it persuaded the banks in Detroit, New York, and Chicago, together with our affluent senator, to purchase over $25,000,000 of notes to be paid out of the proceeds of bonds if and when sold. The city sinking fund also took $7,000,000 of the same kind of paper, and this was all in addition to the notes issued for welfare relief.

It was not the quantity of new bonds alone which started the more drastic decline in the price of the city's securities. The holders began to wonder, and rightly so, whether or not their confidence in the city's credit had been misplaced, when they saw the percentage of delinquent taxes jump from 10 per cent for the year

ending June 30, 1930, to 17 per cent for 1931, 25 per cent for 1932, and finally reach the high point of 35 per cent for 1933. They also began to take note of the large deficits, which amounted to over $17,000,000 in 1931-32, and the precarious floating debt, which at one time exceeded $60,000,000. Along with this decreased revenue and increased deficit, the city was facing a large increase in the annual fixed charges, which included the interest on the floating debt and heavy maturities on short term bonds. In the year 1932-33 principal and interest were scheduled to absorb 44 per cent of the tax levy, if 100 per cent collected.

In defense of some of our leading citizens and officials, it is only right to point out that they were not insensible to what was taking place. They were not only worrying about it, but were acting. While we know from hindsight that they were too slow in becoming aroused, and that the corrective measures came too late, it is not difficult to point to many other lines of activity, where errors of a similar nature, if not to the same degree, were committed in those prosperous years.

The first prophet to point out whither the path was leading was Ralph Stone. He did this way back in 1929 in his famous speech before the real estate board under the caption, "If I were King." The city council, not being accustomed in those days to hearing criticisms on account of free spending, accepted his implied challenge and demanded some definite suggestions. He responded to the request, created a committee of representatives of the leading civic and business groups, and proceeded to draw up a program aimed at controlling and reducing expenditures. While a number of the suggestions of the Stone committee were adopted, there was a certain lack of political finesse in its approach, and the committee lost much of its usefulness. Mr. Stone had to stand the brunt of the abuse, but if we ever create a hall of fame for modern day martyrs in the cause of better government, I hope a niche will be reserved for him.

The next group that came into the picture to work with the officials in meeting the rapidly increasing problems were the holders of the notes, principally the New York and Detroit banks. The last thing the public officials wanted, even in those days, was to be told what to do by the bankers, but when circumstances became sufficiently desperate, they were willing to listen to those from whom they were asking favors.

A "NINE-POINT" PROGRAM

To the credit of both officialdom and its advisers, we should recall the constructive and drastic measures, principally embodied in the so-called "nine-point program," that were put in effect. But even the sharp reduction in operating expenses and the cost of welfare relief, and the floating of some $30,000,000 of short term bonds, did not meet the problems of mounting tax delinquency, heavy fixed charges, and unfinanced construction projects.

By 1932 some of our leading industrialists awoke to the fact that the city had been less fortified to combat the havocs of the depression than its leading industry. They knew that they could not go on without police and fire protection and the other essentials of an orderly and adequate government, and recognized that these were in jeopardy. Out of this realization was borne the Sloan committee, representing some of the best minds of the industrial, mercantile, and banking interests of the city. This group of high executives labored hours, day in and day out, in coöperation with officials and creditors. They loaned their own experts to help reorganize the welfare department and to study the modernizing of the antiquated systems in the treasurer's office.

While their main objective was never accomplished, I am sure the officials would agree that the city is benefitting in no small way today as a result of this study and coöperation.

It was my privilege to act in a sort of underling unofficial capacity with each of these groups which struggled with the problems of the city from 1929 down to the fatal February 13, 1933, and I cannot refrain from injecting one personal experience which occurred just as the curtain was about to drop on the last act of the tragedy of "The Decline and Fall of Detroit's Credit Structure."

THE FINAL BLOW

As a final desperate measure to save the city from certain default and to provide funds for the continuation of city operations on a greatly reduced scale, authority had been obtained from a special session of the legislature to issue $20,000,000 of tax anticipation bonds, maturing in five years. The bonds could be used in payment of taxes, and the Sloan committee had undertaken the responsibility of securing from leading taxpayers who were subject to a tax liability of $10,000,000 over the life of the bonds, an agreement to purchase $10,000,000 of the bonds, provided the New York banks would underwrite the other $10,000,000. Final arrangements were well on the way toward consummation by the second week of February 1933.

I was sent down to New York on Saturday, February 10, to iron out certain minor differences with the New York banks, and was to be joined by a committee of the industrialists on the following Tuesday. I spent all day Saturday with the bankers, and being entirely innocent of what was going on in Detroit over the week-end, spent most of Monday rewriting the contracts. On Tuesday morning I was all set to go, and while waiting for the delegation from Detroit, was enjoying my breakfast in Child's with the New York *Times* in front of me. The curtain went down on this aforementioned tragedy as I discovered the front-page headline, "All Michigan Banks Closed," and as I rushed out of the restaurant to find out who would cash my check on the First National Bank of Detroit, so I could buy a ticket home!

The Sloan committee never met again, and the stigma of default rested on Detroit's securities for the first time in over eighty-five years, when some interest came due two days later. For the next few weeks and months our citizens had problems and troubles of their own that overshadowed the matter of the city's credit. The city was left to shift for itself with payless paydays and scrip in lieu of cash. A few of the panicky or hard-pressed bondholders sold out at the prevailing market of between thirty and forty cents on the dollar.

But it was not for long. Like the commencement of the rebuilding of a great city while the ruins are still smouldering, master minds were soon at work on a comprehensive refunding plan affecting the entire debt structure. They produced a program designed not only to take the city out of default and to keep it out, but to give the overburdened taxpayers a drastic reduction in their tax bills, and an opportunity to get back on their feet.

To the Bankers Trust Company of New York and their Mr. B. F. Tompkins, who became chairman of the bondholders refunding committee, should be given a large share of the credit for the creation and successful consummation of this plan. No small amount of credit should also be given to our new mayor, Mr. Frank Couzens, who, though he had been in office only a few weeks, caught the vision of what this plan would mean to the city, and to the council which backed the mayor in his recom-

mendation by appropriating a million dollars to see it through.

REFUNDING ACHIEVED

It was the largest refunding operation that has ever been tackled outside the field of national government securities. Over 40,000 certificates of deposit were issued to bondholders, scattered throughout this country and in other parts of the world. A large number were naturally unfamiliar with our local problems, many were unsympathetic, and some threatened suit. With all of these handicaps, the committee obtained a most magnificent response from the bondholders. Within the first year over 90 per cent of the amount of bonds had been deposited, and today less than 1 per cent have either not been located or have refused to come in. Many feel that Detroit does not realize how lucky it was to have its refunding plan out of the way before the automobile business began to hit its stride again, and that the bondholders would never believe today it needed the relief requested two years ago.

Let it always be remembered both by ourselves, for the benefit of our own self-respect, and by our creditors and prospective creditors in appraising Detroit's present and future credit, that we did not ask for the cancellation of one penny of interest or principal. This is what we did ask and what we accomplished:

1. The funding of the entire floating debt in the hands of the public, aggregating $33,000,000, into long term bonds.
2. The refunding of the entire $240,000,000 of tax-supported bonds, leaving no maturities due prior to June 30, 1943.
3. The refunding of the $7,500,000 water bonds maturing up to June 30, 1940.
4. The refunding of the $3,300,000 street railway bonds maturing up to June 30, 1935.
5. The funding of all interest due prior to July 1, 1933, on tax-supported and water bonds, totaling $6,500,000.
6. The funding of one-third of the interest on all tax-supported obligations accruing between July 1, 1933, and June 30 or August 1, 1935, amounting to nearly $8,000,000.

Those are the high points of the $300,000,000 refunding program, which constituted the cornerstone or very foundation of the rehabilitation of Detroit's credit. There are many other provisions and safeguards. Appropriations for sinking fund and principal retirement are provided, which on the tax-supported bonds starts at $250,000 this year and graduates by easy stages, as the interest requirements are reduced, up to a maximum of $19,500,000 in 1962-63. Over $220,000,000 of the new bonds are callable at par on any interest date, so the sinking fund for general bonds will be used to purchase, or call and immediately cancel bonds. Debt service appropriations must be correspondingly increased if appropriations for operations and maintenance exceed $40,000,000, which is designed to accelerate debt retirement as prosperity returns.

There are some who claim the refunding plan postpones the debt retirement too long, piles up a tremendous additional interest cost for the years ahead, and with the debt still outstanding, handicaps the city in financing future necessary improvements. They may be correct, but I prefer to believe that the leveling off of the maturities to the extent provided was necessary to restore the credit to a sound basis, and placed the annual debt service within the city's capacity to pay, based on its present resources and population; that the present set-up of many long maturity callable bonds should enable the city to combat future soft spots in industrial activity without jeopardizing its credit; that the major capital requirements for many years to come are provided for;

and that the taxpayers and officials of the future will be most reluctant to authorize new bond issues payable from taxes, except to the extent justified by future growth of the city and the retirement of the present debt.

With the major problem of debt successfully and constructively disposed of, let's look for a minute at the other problems which led to our downfall, and see how they have been handled.

INCREASED TAX COLLECTIONS

The high tax levy, which was $76,000,000 in 1931-32, and $72,000,000 in 1932-33, was reduced to $55,000,000 the next year, and has been lowered slightly each year since.

Tax collections, which reached the low point of 65 per cent for the year 1932-33, started the upward swing the following year with 69 per cent, last year 74 per cent, and this year they are coming in at a rate which should top 80 per cent by the end of the fiscal year. And what is even more encouraging, over 110,000 more tax receipts have been issued on current taxes this year than were issued two years ago.

The big back-log, or we might say back-breaker from the taxpayers' point of view, of delinquent taxes was intelligently handled through the seven-year plan, inducements for prompt payment and a liberal use of modern advertising methods. With the receivers for the large banks starting it off, collections of delinquent taxes for 1933-34 amounted to $16,000,000, for last year $15,000,000, and this year they are coming in at a higher rate than they were two years ago.

And lastly our budgets have been well conceived and executed. Instead of the once familiar deficits, the present administration gave us a surplus of $2,600,000 in 1933-34 and $3,500,000 in 1934-35, and this year they predict it will exceed $6,000,000. We should not become too excited about these surpluses. The 1933-34 year was started with a carry-over deficit of nearly $11,000,000 which has now been reduced to $6,000,000.

What has all this done to Detroit's credit, as measured by the price of its securities? From the low point of the 30's in the spring of 1933, it had climbed to the late 70's a year later, and at the present time the non-callable general tax 4½'s are quoted at a premium of over 110. On a yield basis or net return this last figure is equivalent to about 3.80 per cent. On April 29, 1936, the city sold $18,720,000 of refunding bonds to retire a like amount of higher coupon callable bonds on a basis of 3.77 per cent.

Have we resurrected our city's credit? The figures would seem to answer that question in the affirmative. But the job is not complete. Its bonds can still be purchased at over 1 per cent higher interest return than the bonds of most of the cities which were selling on the same basis as Detroit bonds ten years ago. Of course the black mark of default will be counted against us for many years, and we are one of the very few large cities in the country which have that stigma. Until the laws of many states, including our own, are changed, its bonds will no longer be eligible for investments for savings banks. Our per capita debt is greater than that of most of the large cities and our tax collections are not yet up to the average.

To support the claim made by many of us that our credit is entitled to a higher rating than it appears to be given today, it is contended that we are the only large city that has scientifically revamped its entire debt burden, which should render us reasonably immune from future difficulties, that we are one of the best governed of the large cities, that we have done more to put our current operations on a sound basis, and are backed by an industry that not

only is leading the country out of the depression but has demonstrated that it has a permanent and front rank position among the great industries of the nation.

That may sound like a sales argument for Detroit bonds. Take it that way if you please, but what I wish I could get across is a sales argument for maintaining and improving the credit which we have seen resurrected. Here is one very tangible and selfish reason why we should want to see the credit on a high plane, in addition to the usual collateral advantages of such an accomplishment.

The refunding plan left the city with $180,000,000 of bonds, bearing interest at rates in excess of 4 per cent, and callable on any interest date. The state law permits the refunding of these bonds, provided interest cost can be reduced at least ½ of 1 per cent. The city has been taking advantage of this law during the last nine months and has sold over $35,000,000 of refunding bonds to retire a like amount of callable bonds of higher coupon rates. Disregarding the operation of the sinking fund, it is estimated that interest costs have been reduced over $25,000,000 through this program, on the basis that the called bonds had run to maturity. If this same program is continued and the credit of our general bonds graduated into the 3½ per cent and better class, it is readily conceivable that a reduction in interest charges of more than $1,000,000 a year could be brought about. Callable bonds, except where there has been a "shotgun" refunding, are not common among municipalities, and no other large city in the country has such an opportunity to reduce its interest load or incentive to maintain a high credit.

With the heritage of excess optimism, unbusinesslike methods, and grievous mistakes, the inevitable crash, followed by the laying of a sound, well conceived foundation, and three years of sane and conservative reconstruction, the officials and voters of today and tomorrow should know the path to follow in preserving that precious asset—the city's credit—and should understand that upon its preservation depends the future well being of Detroit.

The Bonded Debt of 283 Cities as at January 1, 1936

Substantial reduction in debt load made by majority of cities throughout the country during past year

C. E. RIGHTOR

Municipal Service Department
Dun & Bradstreet, Inc.

THE gross bonded debt of 283 cities of the United States and Canada having a population of over 30,000 was $8,823 million at the beginning of the present year. If this indebtedness be considered a malady, those responsible for its ultimate extinguishment may find solace in the fact that the financial health of the cities, in general, of both the countries, enjoyed some recuperation during the past year. For 254 comparable cities the gross debt was reduced $55 million, five out of every eight cities reflecting a downward trend.

The tabulation which follows is a summary report of the bonded debt of these 283 cities, 268 of which are in this country, and 15 in Canada, as at January 1, 1936. Forty-two cities within this population range in the United States and three in Canada failed to reply to the questionnaire.

The table presents the gross bonded debt, with a subdivision of this total into the three classes of general public improvement, public school, and public utility; the total amount of the sinking funds, with a percentage distribution by the three classes named; the net total bonded debt; the net total bonded debt to be retired from taxation (reported as "excluding self-supporting"), both total and per capita; and the total gross special assessment debt, and the amount of such debt that is a general obligation of the city.

The form of presentation is substantially the same as that of previous years, except that attempt was made to ascertain the general obligation special assessment debt, which is reported this year for the first time. The cities are listed in order of population according to the official 1930 census, no nation-wide census since being available, and by the five census groups. The population figures for the Canadian cities are the latest available. This is the fourteenth annual tabulation of these data, with, of course, some variation in the cities reporting from year to year.

The primary object of the tabulation is to make available a current and complete, yet concise, statement of the total amount of bonds outstanding in the name of the city, and the net total and per capita amount of such bonds that must be retired through future tax levies upon the taxable property of each city. The table therefore affords a ready comparison of both total and per capita debt of cities, singly and by census groups.

The achievement of this objective through presentation of the data in a single line is easily possible for a large number of cities whose governmental structure permits the presentation of their debt data according to the outline, while for the others various adjustments of the data are required. The footnotes indicate some of the excep-

tions and the complexities that arise in tabulating—as examples, school debt in several states is in the name of a school district which may or may not be co-terminous with the reporting city, or in the name of the overlying county, although the property within the city is taxed to retire its portion of the bonds; there are found many types of special and overlying districts (water, sanitary, park, flood prevention, etc.) having authority to issue bonds, only a portion of which lie against the city; sinking funds frequently are consolidated; the proportion of total net debt that is self-supporting is not invariably definitely determined, and arbitrary computation must be made, etc. The Census Bureau's "Financial Statistics of Cities" includes with the debt of sixteen of the largest cities a percentage of the county debt, but this practice is not followed in this compilation, although in a few instances of city-county consolidation the city debt directly reflects the county debt burden. Further, temporary debt in the form of tax and revenue notes and the like is not included, even though the future may find this indebtedness funded. Because of these many variable factors that affect the figures it is essential that reference be made to the footnote for each city in order to obtain the proper basis for comparison.

The per capita debt is reported for only the net debt excluding self-supporting. To obtain this figure, the obligations of the utilities are ordinarily deducted, either in whole or in part. Most cities own their water system, and except as the utility debt is analyzed in a footnote, the utility figure reported is water bonds. A few cities do not deduct water or other bonds as self-supporting, on the ground that such bonds are general obligations for which the general fund meets the debt service, in turn being credited with the utility's revenues. Further, in some states statutory provisions variously define the deductions to be made to determine net debt; but these diversified and arbitrary local provisions are not observed here, only the city and school sinking funds and debt reported as self-supporting being deducted.

Attempt was made to report the special assessment bonds outstanding in the name of the city, whether these bonds are "special specials" or "general specials" (general obligations). The final two columns give the gross amount of such bonds, under the two headings, so far as reported. The total amount of this type of liability was $339,495,080, of which $118,414,000 was reported as a general obligation. Usually the amount of such debt is not included by a city in its statement of bonded debt, but is separately reported because presumably it is offset by assessments receivable, the city's obligation being only a contingent one. The amount of this type of debt, therefore, is separately reported and is not included in the preceding totals or net per capita figure. On the other hand, in some cases the city's general debt includes such bonds, particularly in the case of the Canadian cities. Deduction of the assessment debt, however, has not been made in these instances.

GROSS AND NET DEBT

For the 268 reporting cities of the United States, the total gross debt is $8,049,118,467, and for the 15 Canadian cities, $773,735,966. These cities represent a population of 43,616,674 for this country, and 1,894,376 for Canada. The weighted average per capita gross debt of the 268 local cities is $177.19, and for the 15 cities of Canada $275.22. These figures compare with $179.68 and $253.99, respectively, for the 260 United States cities, and 14 Canadian, reported last year. The per

capita by census groups one through five is: $237.14, $159.99, $129.86, $113.11, and $92.61, respectively. The total debt is divided approximately 48 per cent for general public improvements, 20 per cent for schools, and 32 per cent for public utilities. For the cities of Canada, the utilities show a slightly higher percentage, with the other classes reduced accordingly.

The total net debt excluding self-supporting is $5,610,237,276 for the 268 cities of the United States, and $407,254,170 for the 15 cities of Canada. The weighted average per capita of the local cities is $123.50, and of the Canadian cities, $144.86. Comparison with last year's figures is not made because of incomplete data last year.

The data show a wide range in per capita tax-supported debt—a fact that in itself raises fundamental questions of the conditions under which borrowing is availed of by cities, but unanswered here. Exclusive of Washington, which has no bonded debt, the figures range from $14.55 for Rockford to $377.13 for Atlantic City. The per capita net debt for the reporting cities by the five census groups is: for Group I, $162.31, and $118.40, $92.32, $87.92, and $69.15, respectively. Within the groups the spread is from Milwaukee, with $55.45 to New York, $226.09, for Group I; for Group II, exclusive of Washington, from Seattle, $63.34, to Newark, $210.55; Group III, Peoria, with $19.73, to Miami, with $330.84; Group IV, Rockford to Atlantic City, with per capitas already stated; and for Group V, Moline is low, $15.08, and White Plains high, $351.32. The Canadian cities present a range from Winnipeg, having a per capita net debt of $39.14, to Edmonton, with $228.49. The weighted average of the 15 cities of Canada is $144.86.

OVERLAPPING DEBT

It is well, in considering the net debt here reported, to bear in mind that it does not invariably represent the entire bonded indebtedness lying against the property of the cities. In addition to the direct debt reported for the city, its property may be subject to the debt burden of overlapping units of government. The effect of such overlapping debt is emphasized in a distinctive report, "Municipal Debt Load in 1935",[1] made by Dr. F. L. Bird, in which he shows, for the 190 cities over 50,000 population, that the direct net debt of $61.20 for the median city mounts to $109.33, or nearly 80 per cent upward, when the overlapping debt for which the city is liable is added. The increase is reflected in all census groups—for the first, from $102.16 per capita direct debt for the median city to $144.16, when overlapping debt is included; and for the group of cities between 50,000 and 100,000 population, the direct debt of the median city, $46.77, is increased to $97.46 by addition of overlapping debt burden.

TREND OF DEBT

As a gauge of the trend of municipal indebtedness, comparison was made of the gross debt and the net debt excluding self-supporting for the 254 cities reporting in both 1935 and 1936. Of the total number of cities, 242 are in the United States and 12 in Canada. For the entire group, the analysis shows a reduction in gross debt from $8,465 million last year to $8,410 million at the beginning of 1936, a net shrinkage of $55 million, or a per capita decrease from $186.00 to the present $184.80. The local 242 cities, excluding Washington, reduced from $7,979 million to

[1]Municipal Service Department, Dun & Bradstreet, Inc., New York City.

$7,933 million, a net of $46 million, or a per capita reduction from $182.94 to $181.89. The 12 cities of Canada reduced from $486 million one year ago to $477, a net of $8,809,000, or a per capita drop of $4.65 to the present $251.85.

Extending the analysis to the net excluding self-supporting, comparison is made for the two groups of cities. For 241 cities of the United States—excluding New York because the 1935 figure was an estimate, and Washington—a reduction in total is found from $3,939 million to $3,937 million, or a net per capita reduction of five cents, to $107.33 for 1936. The 12 comparable Canadian cities show a reduction from $235 million to $223 million, or a per capita levelling of $6.48, to the present $117.84.

Numerically, the trend indicated by the debt figures is sustained. Of the 242 reporting cities of the United States, 156 reduced, 84 increased, and two (exclusive of Washington) reported no change in their gross debt. A majority of the cities in each of the census groups except the second reduced their gross figure. Of the 12 Canadian cities, six reduced and five increased their gross debt, while one reported no net change. Similar results obtain for net debt—locally, there are 154 reductions, 86 increases, and one city without change; for Canada, eight reductions and four increases.

Bond sales by states and municipalities during 1935, as reported in "Municipal Bond Sales for 1935,"[2] totaled $1,182 million, an increase of only $8 million over the preceding year. This total is exclusive of $759 million temporary loans made during the year. Of the total $342.5 million of new issues was made by cities and villages, and $50.6 million by school districts, the remainder being state, county and special district issues. Welfare and unemployment relief bond issues by cities amounted to $30 million, while states sold $81 million and counties $19 million of such bonds. Included in the grand total also are $403 million refunding bonds; of which $170 million was issued by cities and villages, $16 million by school districts, and the remaining $217 million by states, counties, and special districts.

The same authority reports that federal loans fell off from 1934, PWA loans being only $21 million and RFC loans only $58 million, during 1935. Many of the federal loans have been sold at public auction, at a profit to the government.

While sales of new issues approached $400 million during the year, it should be noted that the cities reporting in the accompanying tabulation more than offset this amount by either payment of maturing bonds or sinking fund reserves. This is not surprising when it is realized that tax levies on an assessed valuation of approximately $65 billion include mandatory provision for amortization of the principal of outstanding debt, sometimes as high as 25 per cent of the levy. The reduction in amount of new issues by cities and school districts, approximately $142 less than during 1934, however, is evidence of the fact that the margin for further borrowing is becoming exhausted. This is due to the reduction in assessed valuations during recent years, combined with popular opposition to a growing tax burden.

From the point of view of the cities, a highly favorable bond market has existed during the year. Municipals rank close to the federal government's securities as a safe basis for investment, having shown a substantial improvement in price continuously since early in 1934. This improvement is due to many factors, including the general

[2]*The Bond Buyer,* New York City.

economic recovery, which had a beneficial effect upon tax collections, federal assistance through several agencies, and statutory legislation designed to strengthen local finances, including state supervision, etc. The legislation included provision that municipalities might avail themselves of financial assistance from the federal government by direct contributions or loans, and also has provided extensively for the financing of self-liquidating municipal enterprises either through creation of a local "authority" or directly by pledge of net revenues of a public service enterprise.

Other legislation of interest, particularly to defaulted communities, is the extension until 1940 of the federal municipal bankruptcy act by action of the congress. The default situation has cleared considerably but some municipalities whose finances are more involved will require judicious handling, possibly including proceedings under the federal act if it is finally ruled constitutional by the Supreme Court. An adverse decision would mean that municipalities must work out with their creditors a readjustment of the debt, with the assistance of the states under limited constitutional powers, or possibly court proceedings.[3]

The Securities and Exchange Commission has issued a report recently upon bondholders' committees, which is suggestive both to those cities in default and to the owners of the obligations.[4] It does not now appear probable that the SEC will assume the task of supervising all municipal bond sales. The duties of the commission may be extended ultimately, however, to include supervision of bondholders' protective committees.

This tabulation was made possible only through the voluntary coöperation of a large number of public officials in the cities represented, in both the United States and Canada, supplemented in some instances by research agencies. Their assistance is gratefully acknowledged, with the hope that the data are correctly presented.

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[3]This act was declared unconstitutional by the Supreme Court on May 25.—EDITOR.

[4]Report on the Study and Investigation of the Work, Activities, Personnel, and Functions of Protective and Reorganization Committees; Part IV, Committees for Holders of Municipal and Quasi-Municipal Obligations.

BONDED DEBT OF 283 CITIES AS AT JANUARY 1, 1936
Compiled by the Detroit Bureau of Governmental Research, Inc.
From Data Furnished by Members of the Governmental Research Association and City Officials

			Gross Bonded Debt				Sinking Fund				Net Bonded Debt			Total	Total	
		Census 1930	General Improvement	Public Schools	Public Utilities	Total	Total	Gen'l Improvement (per cent)	Public School (per cent)	Public Utility (per cent)	Total	Excluding Self-supporting	Per Capita Excluding S. S.	Gross Special Assessments	Special Assessments, General Obligation	
	Group I															
	Population 500,000 and over		$	$	$	$	$				$	$	$	$	$	
1	New York, N. Y.[1]	6,930,446	696,016,665	345,207,851	1,271,400,555	2,312,625,071	448,381,976	51	..	49	1,864,243,095	1,566,906,511	226.09	....	....	1
2	Chicago, Ill.[2]	3,376,438	335,712,393	41,935,500	5,110,000	382,757,893	9,654,831	99	1	0	373,103,062	373,103,062	110.50	21,406,681	N	2
3	Philadelphia, Pa.[3]	1,950,961	552,155,000	63,211,000	N	615,366,000	166,042,165	82	18	N	449,323,835	389,323,835	199.55	N	N	3
4	Detroit, Mich.[4]	1,568,662	279,144,601	....	105,380,845	385,525,446	12,554,835	1	..	99	372,970,611	278,982,848	177.85	1,000,000	1,000,000	4
5	Los Angeles, Cal.[5]	1,238,048	54,488,400	52,034,848	156,061,700	262,584,948	2,711,737	N	N	100	259,873,211	118,520,978	95.73	9,704,351	N	5
6	Cleveland, Ohio[6]	900,430	85,516,119	15,759,000	29,108,500	130,383,619	7,754,000	91	9	..	122,629,619	93,521,119	103.86	4,318,941	4,318,941	6
7	St. Louis, Mo.	821,960	74,419,000	3,997,000	7,770,000	86,186,000	2,154,546	30	60	10	84,031,454	76,471,320	93.04	N	N	7
8	Baltimore, Md.[7]	804,874	128,497,928	26,537,781	36,128,870	191,164,579	31,846,273	85	4	11	159,318,306	113,512,703	141.03	371,000	....	8
9	Boston, Mass.[8]	781,188	79,023,467	8,277,000	78,101,700	165,402,167	30,900,693	46	9	45	134,501,474	70,405,931	90.13	....	....	9
10	Pittsburgh, Pa.	669,817	53,780,300	22,431,450	6,866,700	83,078,450	2,780,744	51	47	2	80,297,706	73,487,403	109.71	N	N	10
11	San Francisco, Cal.[9]	634,394	41,659,900	13,850,000	113,195,000	168,704,900	N	..	..	..	168,704,900	95,822,600	151.05	956,000	....	11
12	Milwaukee, Wis.[10]	578,249	27,771,200	8,056,500	1,521,000	37,348,700	3,800,335	76	23	1	33,548,365	32,061,700	55.45	N	....	12
13	Buffalo, N. Y.	573,076	79,419,050	20,321,250	18,366,638	118,106,938	6,566,793	17	..	83	111,540,145	98,604,007	172.06	171,900	171,900	13
	Group II															
	Population 300,000 to 500,000															
14	Washington, D. C.	486,869	No bonded debt													14
15	Minneapolis, Minn.[11]	464,356	32,621,576	19,585,924	3,390,000	55,597,500	5,353,614	61	34	5	50,243,886	47,340,182	101.95	8,739,563	2,159,772	15
16	New Orleans, La.[12]	458,762	52,190,500	5,000,000	3,000,000	60,190,500	N	..	..	..	60,190,500	57,190,500	124.66	7,854,080	7,854,080	16
17	Cincinnati, Ohio[13]	451,160	45,576,718	14,711,500	40,878,400	101,166,618	34,970,992	47	8	45	66,195,626	37,137,067	82.31	4,296,687	4,296,687	17
18	Newark, N. J.	442,337	86,595,553	19,259,200	21,572,000	127,426,753	15,686,555	48	33	19	111,740,198	93,132,265	210.55	N	N	18
19	Kansas City, Mo.	399,746	26,835,000	20,528,000	13,446,000	60,809,000	5,121,325	8*	92	..	55,687,675	42,241,675	105.67	N	N	19
20	Seattle, Wash.[14]	365,583	14,450,000	10,321,000	50,974,000	75,745,000	1,614,334	28	72	N	74,130,666	23,156,666	63.34	20,180,593	N	20
21	Indianapolis, Ind.[15]	364,161	16,584,761	10,020,000	8,000,000	34,604,761	2,214,058	53	47	N	32,390,703	24,390,703	66.98	2,233,133	N	21
22	Rochester, N. Y.	328,132	42,967,000	15,929,500	6,805,000	65,701,500	5,471,857	61	18	21	60,229,643	54,598,715	166.39	8,634,500	8,634,500	22
23	Jersey City, N. J.	316,715	47,211,600	13,956,500	15,140,255	76,308,355	6,855,154	31	21	48	69,453,201	57,620,466	181.93	N	N	23
24	Louisville, Ky.	307,745	28,567,400*	10,966,400*	1,079,000	40,612,800	7,300,759	85	..	15	33,312,041	32,233,041	104.73	N	....	24
25	Portland, Ore.[16]	301,815	23,044,054	8,052,318	20,659,000	51,755,372	8,884,840	31	..	69	42,870,532	28,320,044	93.83	5,691,057	....	25
	Group III															
	Population 100,000 to 300,000															
26	Houston, Texas	292,352	27,803,500	10,594,000	2,085,000	40,482,500	4,133,703	60	30	10	36,348,797	34,681,445	118.63	N	N	26
27	Toledo, Ohio	290,718	26,850,995	13,712,000	762,000	41,324,995	1,841,492	48	42	10	39,483,503	38,908,248	133.84	25,945	25,945	27
28	Columbus, Ohio[17]	290,564	23,086,590	5,774,594	7,606,500	36,467,684	2,774,895	22	..	78	33,692,789	28,248,126	97.22	4,178,305	4,178,305	28
29	Denver, Colo.[18]	287,861	5,345,000	8,285,000	39,428,200	53,058,200	684,485	36	N	64	52,373,715	26,998,890	93.79	6,776,100	1,173,500	29
30	Oakland, Cal.[19]	284,063	9,709,708	11,445,080	37,793,957	58,948,745	N	..	..	..	58,948,745	21,154,788	74.47	N	N	30
31	St. Paul, Minn.	271,606	21,106,000	10,399,000	6,668,000	38,173,000	6,626,630	40	41	19	31,546,370	26,142,595	96.25	6,500,000	....	31
32	Atlanta, Ga.	270,366	5,425,000	5,320,500	2,561,000	13,306,500	1,562,152	50	18	32	11,744,348	9,677,885	35.80	202,400	202,400	32
33	Dallas, Tex.	260,475	20,606,500	7,013,000	12,067,000	39,686,500	2,519,614	45	14	41	37,166,886	26,140,693	100.36	N	N	33
34	Birmingham, Ala.	259,678	11,671,000	9,571,000	100,000	21,342,000	1,598,091	100	..	..	19,743,909	19,643,909	75.65	2,124,000	2,124,000	34

		Census 1930	Gross Bonded Debt: General Improvement	Gross Bonded Debt: Public Schools	Gross Bonded Debt: Public Utilities	Gross Bonded Debt: Total	Sinking Fund: Total	Sinking Fund: Gen'l Improvement (per cent)	Sinking Fund: Public School (per cent)	Sinking Fund: Public Utility (per cent)	Net Bonded Debt: Total	Net Bonded Debt: Excluding Self-supporting	Net Bonded Debt: Per Capita Excluding S. S.	Total Gross Special Assessments	Total Special Assessments, General Obligation	
35	Akron, Ohio	255,040	23,624,723	8,181,608	10,500,452	42,306,784	3,976,191	60	..	40	38,330,593	29,672,720	116.35	4,187,185	4,187,185	35
36	Memphis, Tenn.	253,143	16,957,000	5,987,000	5,609,000	28,553,000	2,113,686	47	33	20	26,439,314	21,255,184	83.97	748,000	748,000	36
37	Providence, R. I.	252,981	26,765,500	15,027,000	18,087,000	59,879,500	16,746,453	47	16	37	43,133,047	31,319,667	123.80	....	....	37
38	San Antonio, Tex.	231,542	15,384,000	7,633,000	6,339,000	29,356,000	1,363,558	53	38	9	27,992,442	21,770,216	94.02	N	N	38
39	Omaha, Neb.[20]	214,006	12,712,225	8,627,000	7,529,000	28,868,225	5,879,350	17	18	65	22,988,875	19,264,953	90.02	3,466,250	3,466,250	39
40	Syracuse, N. Y.[21]	209,326	23,234,080	7,534,032	5,970,750	36,738,862	9,733	..	..	100	36,729,129	30,768,112	146.99	2,020,000	2,020,000	40
41	Dayton, Ohio[22]	200,982	9,396,245	7,528,622	4,679,000	21,603,867	2,024,422	54	..	46	19,579,445	15,843,398	78.83	756,283	....	41
42	Worcester, Mass.	195,311	8,731,000	456,000	3,078,200	12,265,200	457,941	95	..	5	11,807,259	8,749,731	44.80	N	N	42
43	Oklahoma City, Okla.	185,389	10,730,500	5,689,369	5,699,000	22,118,869	7,347,964	36	20	44	14,770,905	12,300,705	66.35	4,311,062	N	43
44	Richmond, Va.[23]	182,929	24,300,112	6,184,438	7,155,550	37,640,100	12,740,585	68	14	18	24,899,515	20,101,966	109.89	N	N	44
45	Youngstown, Ohio	170,002	4,874,952	2,452,000	1,052,000	8,378,952	188,709	15	34	51	8,190,243	7,138,243	41.99	542,000	..	45
46	Grand Rapids, Mich.	168,592	7,771,200	3,451,835	2,855,000	14,078,035	2,172,938	53	N	47	11,905,097	10,061,211	59.68	2,061,200	2,061,200	46
47	Hartford, Conn.	164,072	12,702,000	6,605,000	3,175,000	22,482,000	3,710,710	59	31	10	18,771,290	15,980,373	97.40	N	N	47
48	Fort Worth, Texas	163,447	14,602,300	5,710,000	5,393,200	25,705,500	1,654,540	33	65	2	24,050,960	18,680,595	114.29	N	N	48
49	New Haven, Conn.	162,655	14,795,000	345,000	N	15,140,000	1,020,187	100	..	..	14,119,813	14,119,813	86.81	N	N	49
50	Flint, Mich.	156,492	8,063,526	7,459,000	2,171,500	17,694,026	2,543,483	29	39	32	15,150,543	13,789,233	88.11	2,113,000	2,113,000	50
51	Nashville, Tenn.[24]	153,866	12,222,000	1,933,000	3,634,000	17,789,000	864,555	100	..	..	16,924,445	13,290,445	86,38	371,000	371,000	51
52	Springfield, Mass.	149,900	9,150,750	1,795,750	6,959,000	17,905,500	N	..	..	..	17,905,500	10,946,500	73.03	....	....	52
53	San Diego, Cal.	147,995	3,489,531	4,557,750	12,243,759	20,291,040	N	..	..	..	20,291,040	20,291,040	137.11	6,018,154	....	53
54	Bridgeport, Conn.	146,716	11,431,550	3,825,450	N	15,257,000	N				15,257,000	15,257,000	103.99	....	....	54
55	Scranton, Pa.	143,433	2,394,000	5,950,000	N	8,344,000	388.716	17	83	N	7,955,284	7,955,284	55.46	794,119	....	55
56	Des Moines, Ia.	142,559	5,085,406	7,437,500	5,053,000	17,575,906	776.090	N	N	100	16,799,816	12,522,906	87.84	....	....	56
57	Long Beach, Cal.[25]	142,032	10.080.265	7,992,443	6,065,000	24,137,708	N		..	..	24,137,708	18,072,708	127.24	1,485,291	N	57
58	Tulsa, Oklahoma	141,258	9,881.785	3,891,986	5,394,000	19,167,771	2,138,806	100	..	..	17,028,965	14,164,965	100.28	N	....	58
59	Salt Lake City, Utah	140,267	3,650.500	4,043,000*	4,631,500	12,325,000					12,325,000	7,693,500	54.85	....	....	59
60	Paterson, N. J.	138.513	14,029,364	6,471,000	14,592,000	35,092,364	3,387,222	80	20	N	31,705,142	17,113,142	123.55	....	....	60
61	Yonkers, N. Y.	134.646	18,960,200	9,102,150	4,910,500	32.972,850	N	.	..	.	32,972,850	28.062.350	208.42	2,483,600	2,483.600	61
62	Norfolk, Va.[26]	129.710	19,966,152	6,034,076	14,504,772	40,505,000	11,113,769	60	..	40	29,391,231	19,303,308	148.82	N	N	62
63	Jacksonville, Fla.[27]	129,549	5,492.500	4.205,000	4,672,500	14,370,000	1,701,174	58	33	9	12,668,826	8,151.326	62.92	854,000	854.000	63
64	Albany, N. Y.	127.412	13,138.280	5,215,850	12,780.000	31,134,130	1,843,438	86	N	14	29,290,692	16,769,025	131.61	1,400,500	1,400.500	64
65	Trenton, N. J.	123,356	12,369,060	7,117,950	1,338,000	20,825,010	2,326.417	43	32	25	18,498.593	17,732,532	143.75	146.000	146,000	65
66	Kansas City, Kansas[28]	121.857	4,001.052	1,463,000	5,859.000	11,323,052	3.572.634	10	16	74	7,750.418	4,541,971	37.27	341,516	..	66
67	Chattanooga, Tenn.	119.798	11,476,637	2,182,500	N	13.659,137	474,033	.		.	13,185,104	13,185,104	110.06	1,352,099	1,352,099	67
68	Camden, N. J.	118.700	18,034,265	3,930,000	1,576,450	23,540,715	2,311,425	69	24	7	21,229,290	19,822,518	167.00	690,000	690,000	68
69	Erie, Pa.	115.967	5,926,000	5,620,088	1,380,000	12,926,088	292.566	79	..	21	12,633,522	11,313,522	97.56	856,468	111.000	69
70	Spokane, Wash.[29]	115.514	2,657,000	945,000	846.000	4.448.000	199,813	34	31	35	4,248,187	3,472.084	30.06	1,379,778	N	70
71	Fall River, Mass.	115.274	5,436,500	1,784.000	188.000	7.408.500	671,000	100	..	..	6,737,500	6.549.500	56.82	....	....	71
72	Fort Wayne, Ind.	114.946	759,900	2.534.000	2,093,000	5.386,900	N	..	..	..	5,386,900	3,293,900	28.66	....	....	72
73	Elizabeth, N. J.	114.589	7.353.400	5.860.000	4,749.000	17,962.400	678.237		..		17,284,163	12,535,163	109.39	421.400	421.400	73
74	Cambridge, Mass.	113.643	8.732.300	1,469.500	1,281.000	11.482.800	3,029,988	83	..	17	8,452,812	7.673.719	67.52	N	N	74
75	New Bedford, Mass.	112.597	5.257,000	2,080.000	1.344.000	8,681,000	777,463	100	..	..	7,903,537	7,903,537	70.19	N	N	75
76	Reading, Pa.	111.171	3,819.000	7.423.500	2,556.000	13.798.500	490.652	47	45	8	13,307,848	10.793.595	97.09	443,200	N	76
77	Wichita, Kansas	111.110	4.320.586	3.177.492	N	7.498.078	102.990	N	N	100	7,395,088	7,395,088	66.56	2.084.956	2 084.956	77
78	Miami, Fla.	110.637	30.264.175	6.339.000	457.000	37.060.175	.				37,060,175	36,603,175	330.84	512.000	512,000	78
79	Tacoma, Wash.[30]	106 817	2.448.500	1.590.000	10.440.495	14.478.995	515.042	91	N	9	13,963,953	3.569.969	33.42	1,578.519	.. ..	79
80	Wilmington, Del.[31]	106.597	5.652.500	1.006.000	7.073.700	13.732.200	1,312.016	100	..		12,420,184	7,976,484	74.83	N	N	80
81	Knoxville, Tenn.[32]	105.802	18.622.092	2.055.000	4.802.449	25.479.541	2,013.821	87	.	13	23,465,720	18,926.657	178.88	.	.... ..	81

		Census 1930	Gross Bonded Debt: General Improvement	Gross Bonded Debt: Public Schools	Gross Bonded Debt: Public Utilities	Gross Bonded Debt: Total	Sinking Fund: Total	Sinking Fund: Gen'l Improvement (per cent)	Sinking Fund: Public School (per cent)	Sinking Fund: Public Utility (per cent)	Net Bonded Debt: Total	Net Bonded Debt: Excluding Self-supporting	Per Capita Excluding S. S.	Total Gross Special Assessments	Total Special Assessments, General Obligation	
82	Peoria, Ill.	104,967	1,092,000	979,000	N	2,071,000	N	.	..	..	2,071,000	2,071,000	19.73	1,718,894	......	82
83	Canton, Ohio	104,906	4,263,770	5,225,000	943,000	10,431,770	1,872,280	65	35	.	8,559,490	7,616,490	72.60	1,213,454	1,213,454	83
84	South Bend, Indiana	104,193	1,680,000	2,884,000	675,000	5,239,000	158,902	49	N	51	5,080,098	4,485,577	43.05	3,097,631	N	84
85	Somerville, Mass.	103,908	1,195,000	2,280,000*	32,000	3,507,000	N	..	..		3,507,000	3,475,000	33.44	....	.....	85
86	El Paso, Texas[33]	102,421	3,998,000	2,278,000	2,070,000	8,346,000	598,514	64	20	16	7,747,426	5,775,110	56.39	497,500	N	86
87	Lynn, Mass.	102,320	3,513,200	2,346,500	487,000	6,346,700	97,060	100	..	..	6,249,640	5,762,640	56.32	....	....	87
88	Evansville, Ind.[34]	102,249	1,116,200	2,189,000	1,510,000	4,815,200	153,603	83	N	17	4,661,597	3,636,597	35.57	229,163	.....	88
89	Utica, N. Y.	101,740	10,967,727	1,320,042*	N	12,287,769	368,441	100	..	..	11,919,328	11,919,328	117.14	209,382	209,382	89
90	Duluth, Minn.[35]	101,463	5,174,333	3,742,000	2,281,000	11,197,333	N	..	..	..	11,197,333	8,916,333	87.88	11,000	11,000	90
91	Tampa, Fla.	101,161	Not reported													91
92	Gary, Ind.	100,426	2,353,297	3,430,000	N	5,783,297	57,945	100	N	N	5,726,352	5,726,352	57.02	......	.....	92
93	Lowell, Mass.	100,234	3,271,500	648,570	355,500	4,275,570	N	..	..	..	4,275,570	3,920,070	39.11	N	N	93
	Group IV															
	Population 50,000 to 100,000															
94	Waterbury, Conn.	99,902	7,901,500	1,609,000	6,824,000	16,334,500	150,000	100	N	N	16,184,500	9,360,500	93.70	N	N	94
95	Schenectady, N. Y.	95,692	9,779,290	2,052,000	489,000	12,320,290	138,621	97	..	3	12,181,669	11,696,152	122.23	1,452,990	1,452,990	95
96	Sacramento, Cal.[36]	93,750	3,409,020	5,979,000	3,607,000	12,995,020	N	.	..	..	12,995,020	9,388,020	100.14	1.390,246	....	96
97	Allentown, Pa.	92,563	5,141,400	4,678,500	N	9,819,900	818,766	32	68	N	9,001,134	9,001,134	97.24	305,000	N	97
98	Bayonne, N. J.	88,979	5,258,968	3,993,000	3,549,000	12,800,968	25,000	N	100	N	12,775,968	9,226,968	103.70	....	....	98
99	Wilkes-Barre, Pa.	86,626	2,720,100	571,171	N	3,291,271	63,313	100	N	N	3,227,958	3,227,958	37.26	8,100	8,100	99
100	Rockford, Ill.	85,864	219,500	1,030,000	125,000	1,374,500	N	N	N	N	1,374,500	1,249,500	14.55	1,232,140	N	100
101	Lawrence, Mass.	85,068	2,293,325	913,000	172,000	3,378,325	60,080	N	N	100	3,318,245	3,318,245	39.01	N	N	101
102	Savannah, Ga.	85,024	3,358,000	738,000	160.000	4,256,000	49,250	100	N	N	4,206,750	4,046,750	47.60	105,122	N	102
103	Charlotte, N. C.	82,675	6,485,486	1,568,000	1,806,014	9,859,500	738,871	63	8	29	9,120,629	7,527,887	91.05	1,785,281	1,785,281	103
104	Berkeley, Calif.	82,109	717,430	1,775,250	8,003,125	10,495,805	301,575	15	..	85	10,194,230	2,448,875	29.82	150,806	150,806	104
105	Altoona, Pa.	82,054	Not reported													105
106	Little Rock, Ark.	81,679	Not reported													106
107	St. Joseph, Mo.	80,935	3,911,000	2,307,000	N	6,218,000	29,815	96	4	N	6,188,185	6,188,185	76.46	169,275	.....	107
108	Saginaw, Mich.	80,715	627,000	1,002,000	2,710,000	4,339,000	362,638	51	37	12	3,976,362	3,087,384	38.25	759,000	759,000	108
109	Harrisburg, Pa.	80,339	2,901,680	2,566,500	1,040,920	6,509,100	148,860	1	99	..	6,360,240	5,319,320	66.21	279,500	.....	109
110	Sioux City, Ia.	79,183	2,311,500	1,864,000	25,000	4,200,500	612,009	80	20	N	3,588,491	3,563,491	45.00	N	N	110
111	Lansing, Mich.[37]	78,397	1,923,000	N	1,513,000	3,436,000	1,041,213	5	N	95	2,394,787	1,867,051	23.82	245,000	245,000	111
112	Pawtucket, R. I.	77,149	9,900,000	3,759,000	2,712,000	16,371,000	3,043,203	54	27	19	13,327,797	11,190,434	145.05	N	N	112
113	Manchester, N. H.	76,834	2,670,770	902,230	120,000	3,693,000	N	.	.	.	3,693,000	3,573,000	46.50	N	N	113
114	Binghamton, N. Y.	76,662	3.324,213	3,155,200	50,000	6,529,413	99,446	100	N	N	6,429,967	6,379,967	83.22	N	N	114
115	Shreveport, La.	76,655	5,996,250	1,156,000	2,917,500	10,069,750	260.870	75	3	22	9.808.880	9 063.414	118.24	......	.....	115
116	Pasadena, Calif.[37]	76,086	3,785,291	3,746,970	6,402,759	13,935,020	47,917	N	N	100	13,887,103	7,532,261	99.00	3,111,044	N	116
117	Lincoln, Neb.	75,933	1,014,685	3.735.000	1,815,000	6,564,685	393,381	32	6	62	6,171,304	4,600,894	60.59	776,383	776.383	117
118	Huntington, W. Va.	75,572	1,740,000	880,500	N	2,620,500	404,358	100	N	N	2,216,142	2.216.142	29.32	N	N	118
119	Niagara Falls, N. Y.	75,460	7,023,900	5,621,210	1,937,330	14,582,440	419,441	N	N	100	14.162,999	12.645.110	167.57	829.084	N	119
120	Winston-Salem, N. C.	75,274	10,540,067	3,236,000	2,689,333	16,465,400	413,844	82	..	18	16.051,556	13,435,535	178.49	861.000	861,000	120
121	East St. Louis, Ill.	74,347	Not reported													121
122	Troy, N. Y.	72,763	5,841,465	1,224,375	793,100	7,858,940	N	..	..	..	7,858 940	7,065,840	97.11	N	N	122
123	Quincy, Mass.	71,983	3,320,500	1,569,000	406,000	5,295,500	N	.	.	.	5,295,500	4,889,500	67.93	N	N	123

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124	Springfield, Ill.[37]	71,864	138,000	567,000	3,848,000	4,553,000	144,927	37	N	63	4,408,073	650,766	90.56	442,856	N	124
125	Portland, Me.	70,810	3,439,620	1,627,000	....	5,066,620	60,388	100	..	..	5,006,232	5,006,232	70.70	N	....	125
126	Lakewood, Ohio	70,509	2,129,080	3,049,500	151,000	5,329,580	433,946	100	N	..	4,895,634	4,744,634	67.29	81,191	81,191	126
127	Roanoke, Va.	69,206	5,077,000	2,650,000	N	7,727,000	1,151,000	..	..	..	6,576,000	6,576,000	95.02	N	N	127
128	Springfield, Ohio	68,743	4,129,823	1,556,000	330,000	6,015,823	37,992	..	..	..	5,997,831	5,647,831	82.16	308,500	....	128
129	Mobile, Ala.	68,202	2,665,000	990,000	1,814,000	5,469,000	1,286,744	97	3	..	4,182,256	2,368,256	34.72	4,200,500	....	129
130	New Britain, Conn.[38]	68,128	1,579,000	2,915,000	1,660,000	6,154,000	614,096	16	19	65	5,539,904	4,278,546	62.80	N	N	130
131	East Orange, N. J.	68,020	8,830,500	3,019,445	720,000	12,569,945	827,209	16	54	30	11,742,736	11,269,586	165.68	547,412	547,412	131
132	Racine, Wis.	67,542	2,493,000	1,528,000	940,000	4,961,000	196,000	100	..	..	4,765,000	3,825,000	56.63	284,858	N	132
133	Johnstown, Pa.	66,993	4,338,000	4,137,277	N	8,475,277	771,822	100	..	..	7,703,455	7,703,455	114.99	N	N	133
134	Cicero, Ill.	66,602	Not reported													134
135	Atlantic City, N. J.	66,198	23,185,531	3,807,000	2,500,000	29,492,531	2,618,693	58	20	22	26,873,838	24,965,514	377.13	N	N	135
136	Montgomery, Ala.	66,079	5,286,000	2,333,000	1,770,000	9,389,000	192,905	100	..	..	9,196,095	7,426,095	112.38	1,198,000	1,198,000	136
137	Newton, Mass.	65,276	4,624,877	1,976,000	505,000	7,105,877	671,156	100	..	..	6,434,721	5,929,721	90.84	N	N	137
138	Covington, Ky.	65,252	1,019,700	1,070,000	2,401,000	4,490,700	N	..	..	..	4,490,700	2,089,700	32.03	N	N	138
139	Pontiac, Mich.	64,928	3,733,250	3,446,585	1,487,000	8,666,835	556,347	N	93	7	8,110,488	6,664,488	102.64	1,684,000	1,684,000	139
140	Hammond, Ind.	64,560	975,870	1,600,000	1,303,000	3,878,870	187,061	04	68	28	3,691,809	2,388,809	37.00	5,613,518	N	140
141	Topeka, Kansas	64,120	1,088,270	2,221,000	612,600	3,921,870	363,284	N	11	89	3,558,586	3,270,745	51.01	602,300	602,300	141
142	Oak Park, Ill.	63,982	Not reported													142
143	Brockton, Mass.	63,797	1,209,900	160,000	894,900	2,264,800	107,970	..	..	100	2,156,830	1,369,900	21.47	N	....	143
144	Evanston, Ill.	63,338	975,000	3,778,000	77,000	4,830,000	19,500	N	N	100	4,810,500	4,753,000	75.04	223,487	N	144
145	Passaic, N. J.	62,959	9,468,500	2,137,750	7,662,000	19,268,250	1,147,931	..	..	..	18,120,319	10,458,319	166.11	....	....	145
146	Terre Haute, Ind.	62,810	1,152,000	1,030,000	N	2,182,000	145,939	63	37	N	2,036,061	2,036,061	32.42	183,400	....	146
147	Glendale, Calif.[37]	62,736	1,399,750	4,145,500	436,300	5,981,550	50,403	N	N	100	5,931,147	5,545,250	88.39	946,892	N	147
148	Charleston, S. C.	62,265	Not reported													148
149	Wheeling, W. Va.	61,659	992,100	373,500	1,488,000	2,853,600	46,551	25	75	..	2,807,049	2,807,049	45.53	....	....	149
150	Mount Vernon, N. Y.	61,499	11,661,250	4,976,050	2,633,000	19,270,300	1,656,141	30	N	70	17,614,159	16,134,690	262.36	109,000	109,000	150
151	Davenport, Ia.	60,751	Not reported													151
152	Charleston, W. Va.	60,408	Not reported													152
153	Augusta, Ga.	60,342	Not reported													153
154	Lancaster, Pa.	59,949	4,653,000	3,795,000	N	8,448,000	813,031	12	88	N	7,634,969	7,634,969	127.35	....	....	154
155	Medford, Mass.	59,714	Not reported													155
156	Hoboken, N. J.	59,261	8,846,048	3,053,635	232,000	12,131,683	1,765,087	48	46	06	10,366,596	10,232,731	172.67	N	N	156
157	Chester, Pa.	59,164	3,413,000	2,135,000	N	5,548,000	1,392,979	38	62	N	4,155,021	4,155,021	70.23	413,600	N	157
158	Union City, N. J.	58,659	6,416,727	2,010,500	N	8,427,227	621,369	91	09	N	7,805,859	7,805,859	133.07	....	....	158
159	Malden, Mass.	58,036	2,051,972	677,000	63,000	2,791,972	249,830	100	..	..	2,542,142	2,479,142	42.72	N	N	159
160	Madison, Wis.	57,899	2,420,900	2,438,500	150,000	5,009,400	100,039	71	29	N	4,909,361	4,759,361	82.20	664,960	....	160
161	Bethlehem, Pa.	57,892	2,195,900	3,207,000	1,094,500	6,497,400	1,241,830	46	44	10	5,255,570	4,290,903	74.12	....	....	161
162	Beaumont, Texas[39]	57,732	4,586,500	2,151,638	2,304,250	9,042,388	448,763	33	21	46	8,593,625	7,993,250	138.45	N	N	162
163	San Jose, Calif.	57,651	1,135,525	1,618,000	N	2,753,525	N	..	..	..	2,753,525	2,753,525	47.76	36,000	....	163
164	Springfield, Mo.	57,527	1,483,000	1,651,500	N	3,134,500	189,645	68	32	N	2,944,855	2,944,855	51.19	N	N	164
165	Decatur, Ill.	57,510	946,000	821,620	268,000	2,035,620	438,166	03	97	..	1,597,454	1,329,454	23.12	1,506,899	....	165
166	Irvington, N. J.	56,733	Not reported													166
167	Holyoke, Mass.[40]	56,537	987,000	547,000	1,256,000	2,790,000	N	N	N	N	2,790,000	1,534,000	27.13	N	N	167
168	Hamtramck, Mich.	56,268	3,306,533	3,333,000	491,000	7,130,533	1,143,143	53	47	..	5,987,390	5,987,390	106.41	17,419	N	168
169	Cedar Rapids, Ia.[41]	56,097	1,186,800	1,865,500	1,701,000	4,753,300	258,024	..	100	..	4,495,276	3,231,276	57.60	....	....	169
170	York, Pa.	55,254	1,058,500	1,820,000	N	2,878,500	300,129	65	35	N	2,578,371	2,578,371	46.66	33,500	....	170

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171	Jackson, Mich.[42]	55,187	1,663,729	1,872,558	1,468,375	5,004,662	35,667	N	100	N	4,968,995	3,500,620	63.43	328,000	328,000	171
172	Kalamazoo, Mich.	54,786	118,000	1,872,000	N	1,990,000	N	N	N	N	1,990,000	1,990,000	36.32	179,000	179,000	172
173	E. Chicago, Ind.	54,784	Not reported													173
174	McKeesport, Pa.	54,632	1,398,000	1,487,000	192,000	3,077,000	219,241	50	50	..	2,857,759	2,665,759	48.79	495,051	N	174
175	New Rochelle, N. Y.	54,000	8,588,700	6,002,176	N	14,590,876	240,669	..	..	..	14,350,207	14,350,207	265.74	20,000	....	175
176	Macon, Ga.	53,829	870,000	1,080,000	190,000	2,140,000	N	..	..	..	2,140,000	1,950,000	36.23	N	N	176
177	Greensboro, N. C.	53,569	6,483,472	862,694	2,726,783	10,072,949	318,710	100	..	..	9,754,239	7,027,456	131.19	4,865,052	4,865,052	177
178	Austin, Texas[43]	53,120	3,258,000	1,051,000	1,693,500	6,002,500	89,276	53	..	47	5,913,224	4,262,306	80.24	N	N	178
179	Highland Park, Mich.	52,959	2,594,000	3,190,000	1,000,876	6,784,876	3,430,818	62	17	21	3,354,058	3,080,159	58.16	40,700	40,700	179
180	Galveston, Texas	52,938	5,911,000	1,680,000	607,500	8,198,500	589,647	78	15	7	7,608,853	6,029,503	113.90	N	N	180
181	Waco, Texas	52,848	2,832,000	1,492,300	2,114,000	6,438,300	1,231,439	59	25	16	5,206,861	3,284,826	62.16	N	N	181
182	Fresno, Cal.	52,513	789,000	3,390,000	2,520,000	6,699,000	N	N	N	N	6,699,000	4,179,000	79.58	....	....	182
183	Hamilton, Ohio[44]	52,176	1,230,445	1,410,000	1,316,730	3,957,175	72,541	59	41	..	3,884,634	2,567,904	49.22	311,845	....	183
184	Durham, N. C.	52,037	4,291,174	1,624,130	3,776,000	9,691,304	131,448	100	..	..	9,559,856	5,783,856	111.15	2,790,565	1,598,870	184
185	Columbia, S. C.	51,581	2,644,000	1,364,800	742,000	4,750,800	141,131	..	..	..	4,609,669	3,973,800	77.04	87,000	87,000	185
186	Cleveland Heights, Ohio	50,945	1,166,770	5,667,885	N	6,834,655	688,339	45	55	N	6,146,316	6,146,316	120.64	971,061	227,804	186
187	Port Arthur, Texas	50,902	4,267,300	2,198,000	813,500	7,278,800	473,563	45	51	4	6,805,237	4,392,665	86.30	14,000	....	187
188	Dearborn, Mich.	50,358	10,466,000	6,163,000	2,312,000	18,941,000	4,254,470	77	8	15	14,686,530	13,001,620	258.18	822,600	822,600	188
189	Kenosha, Wis.	50,262	448,000	2,544,000	87,000	3,079,000	N	..	..	..	3,079,000	2,992,000	59.53	657,483	N	189
190	Asheville, N. C.	50,193	15,089,081	2,908,000	N	17,997,081	N	..	..	..	17,997,081	17,997,081	358.56	....	....	190
191	Pueblo, Colo.	50,096	591,000	1,415,000	1,175,000	3,181,000	58,298	100	..	..	3,122,702	1,947,702	38.88	1,026,300	....	191
	Group V															
	Population 30,000 to 50,000															
192	Pittsfield, Mass.	49,677	724,000	896,000	340,000	1,960,000	N	..	..	..	1,960,000	1,620,000	32.61	....	....	192
193	Woonsocket, R. I.	49,376	5,613,000	1,089,000	850,000	7,552,000	1,203,897	91	09	..	6,348,103	5,498,103	111.35	N	N	193
194	Haverhill, Mass.	48,710	1,171,555	129,000	152,000	1,452,555	22,000	100	..	..	1,430,555	1,278,555	26.25	....	....	194
195	New Castle, Pa.	48,674	854,000	2,165,000	N	3,019,000	172,034	100	N	N	2,846,966	2,846,966	58.49	217,281	217,281	195
196	Everett, Mass.	48,424	839,175	998,000	101,000	1,938,175	76,864	100	..	..	1,861,311	1,760,311	36.35	....	....	196
197	Jackson, Miss.	48,282	4,439,980	....	785,800	5,225,780	30,000	100	..	..	5,195,780	4,409,980	91.34	521,000	....	197
198	Phoenix, Ariz.[45]	48,118	3,713,500	5,756,475	5,437,000	14,906,975	956,900	04	87	09	13,950,075	8,600,280	178.73	1,229,185	....	198
199	Stockton, Cal.	47,963	5,614,600	700,000	N	6,314,600	N	..	..	..	6,314,000	6,314,000	131.64	129,481	....	199
200	Brookline, Mass.	47,490	639,000	809,500	308,000	1,756,500	N	..	..	..	1,756,500	1,448,500	30.50	....	....	200
201	Elmira, N. Y.	47,397	1,809,000	675,000	600,000	3,084,000	N	N	N	N	3,084,000	2,484,000	52.41	N	N	201
202	Bay City, Mich.	47,355	369,000	900,000	1,551,000	2,820,000	530,836	37	50	13	2,289,164	804,776	16.99	74,500	74,500	202
203	Berwin, Ill.	47,027	Not reported													203
204	Clifton, N. J.	46,875	5,941,468	2,428,400	4,246,000	12,615,868	143,844	65	35	N	12,472,024	8,226,024	175.49	N	N	204
205	Aurora, Ill.	46,589	Not reported													205
206	Muncie, Ind.	46,548	Not reported													206
207	Stamford, Conn.	46,346	5,031,000	2,618,000	N	7,649,000	770,459	68	32	N	6,878,541	6,878,541	148.42	N	N	207
208	Waterloo, Ia.	46,191	560,000	1,242,000	205,000	2,007,000	154,025	80	..	20	1,852,975	1,678,674	36.34	N	N	208
209	Chelsea, Mass.	45,816	1,625,200	498,500	40,000	2,163,700	441,145	100	N	N	1,722,555	1,682,555	36.72	N	N	209
210	Lexington, Ky.	45,736	2,170,500	933,000	N	3,103,500	361,726	100	..	..	2,741,774	2,741,774	59.95	84,866	....	210
211	Williamsport, Pa.	45,729	920,700	1,243,900	N	2,164,600	341,682	50	50	N	1,822,918	1,822,918	39.86	1,963,152	N	211
212	Portsmouth, Va.	45,704	5,375,000	728,000	2,975,000	9,078,000	2,152,784	34	..	66	6,925,216	5,378,113	117.67	N	N	212

		Census 1930	Gross Bonded Debt: General Improvement	Gross Bonded Debt: Public Schools	Gross Bonded Debt: Public Utilities	Gross Bonded Debt: Total	Sinking Fund: Total	Sinking Fund: Gen'l Improvement (per cent)	Sinking Fund: Public School (per cent)	Sinking Fund: Public Utility (per cent)	Net Bonded Debt: Total	Net Bonded Debt: Excluding Self-supporting	Net Bonded Debt: Per Capita Excluding S. S.	Total Gross Special Assessments	Total Special Assessments, General Obligation	
213	Jamestown, N. Y.[37]	45,155	899,435	2,216,500	549,000	3,664,935	86,490	.	..	100	3,578,445	3,115,935	69.01	414,000	....	213
214	Lorain, Ohio	44,512	1,016,507	880,500	238,000	2,135,007	20,634	53	..	47	2,114,373	1,886,007	42.37	603,694	N	214
215	Chicopee, Mass.[37]	43,930	1,114,094	147,900	382,250	1,644,244	N	..	..	..	1,644,244	935,400	21.29	N	N	215
216	Wichita Falls, Texas	43,690	Not reported													216
217	Battle Creek, Mich.[46]	43,575	1,207,000	1,038,500	400,000	2,645,500	N	..	..	..	2,645,500	2,245,500	51.53	....	....	217
218	Perth Amboy, N. J.	43,516	Not reported													218
219	Salem, Mass.	43,353	926,000	326,500	380,000	1,632,500	N	..	..		1,632,500	1,252,500	28.89	....	....	219
220	Amarillo, Texas	43,132	3,402,526	1,933,000	2,045,500	7,381,026	571,505	51	35	14	6,809,521	4,844,250	112.31	N	N	220
221	Columbus, Ga.	43,131	1,818,900	559,600	135,000	2,513,500	74,133	100	..	..	2,439,367	2,304,367	53.43	42,800	42,800	221
222	Joliet, Ill.	42,993	571,000	2,136,000	135,000	2,842,000	N		..	.	2,842,000	2,707,000	62.96	948,791	....	222
223	Cranston, R. I.	42,911	1,330,500	2,609,000	N	3,939,500	336,452	100	..	N	3,603,048	3,603,048	83.97	....	....	223
224	Portsmouth, Ohio	42,560	2,980,000	1,929,369*	857,000	5,767,069	6,084				5,760,985	4,803,985	112.88	1,534,806	883,848	224
225	Lima, Ohio	42,287	3,568,600	623,000	600,500	4,792,100	9,500	26	N	74	4,782,600	4,189,100	99.06	129,865	....	225
226	Council Bluffs, Ia.	42,048	Not reported													226
227	Montclair, N. J.	42,017	Not reported													227
228	Dubuque, Ia.	41,679	Not reported													228
229	Muskegon, Mich.	41,390	2,187,000	2,543,584	234,000	4,964,584	206,104	60	N	40	4,758,480	4,606,768	111.30	473,170	255,000	229
230	Warren, Ohio	41,062	1,463,000	1,578,300	493,400	3,534,700	289,381	6	30	64	3,245,319	2,935,919	71.50	337,800	....	230
231	Kearny, N. J.	40,716	Not reported													231
232	Fitchburg, Mass.	40,692	1,240,200	218,000	440,000	1,898,200	N	..	..	..	1,898,200	1,458,200	35.84	N	N	232
233	Lynchburg, Va.	40,661	2,227,100	965,340	2,918,417	6,110,857	1,550,192	48	..	52	4,560,665	2,442,248	60.06	N	N	233
234	St. Petersburg, Fla.[47]	40,425	6,844,600	......	4,321,000	11,165,600	1,578,296	..	..	..	9,587,304	5,266,304	130.27	11,086,000	11,086,000	234
235	Poughkeepsie, N. Y.	40,288	2,419,000	1,391,050	426,000	4,236,050	N	..	..	..	4,236,050	3,810,050	94.57	801,858	....	235
236	Ogden, Utah	40,272	1,668,000	1,314,000	990,000	3,972,000	126,470	68	22	10	3,845,530	2,868,030	71.22	586,000	N	236
237	Oshkosh, Wis.	40,108	703,000	538,000	99,000	1,340,000	N	.	..	..	1,340,000	1,241,000	30.94	N	N	237
238	Anderson, Ind.	39,804	418,201	703,000	195,000	1,316,201	N				1,316,201	1,121,201	28.17	562,733	N	238
239	East Cleveland, Ohio	39,667	1,069,800	2,217,000	N	3,286,800	541,968	58	42	N	2,744,832	2,744,832	69.20	265,080	N	239
240	La Crosse, Wis.	39,614	297,000	388,000	48,000	733,000	7,000	100	..	..	726,000	726,000	18.33	952,790	839,395	240
241	Butte, Mont.	39,532	Not reported													241
242	Sheboygan, Wis.	39,251	846,000	316,000	187,000	1,349,000	N	..	..	..	1,349,000	1,162,000	29.60	63,558	N	242
243	Waltham, Mass.	39,247	Not reported													243
244	Quincy, Ill.	39,241	N	967,000	90,000	1,057,000	64,013	N	100	N	992,987	902,987	23.01	476,900	N	244
245	Meriden, Conn.	38,481	824,000	1,113,000	208,000	2,145,000	143,381	100	.	.	2,001,619	1,793,619	46.61	N	N	245
246	Bloomfield, N. J.	38,077	2,734,000	2,467,500	1,238,000	6,439,500	52,398	56	N	44	6,387,102	5,172,102	135.83	340,000	....	246
247	Rock Island, Ill.[48]	37,953	N	1,091,000	286,000	1,377,000	41,215	N	N	100	1,335,785	1,091,000	28.75	303,738	N	247
248	Cumberland, Md.	37,747	2,300,000	2,525,000	3,044,900	7,869,900	860,769	37	N	63	7,009,131	4,503,000	119.29	....	....	248
249	San Bernardino, Cal.	37,481	691,083	1,426,000	245,575	2,362,658	84,082	22	64	14	2,278,576	2,044,713	54.55	N	N	249
250	Green Bay, Wis.	37,415	445,300	889,000	839,000	2,173,300	N	..	..	..	2,173,300	1,334,300	35.66	....	....	250
251	Raleigh, N. C.	37,379	Not reported													251
252	Taunton, Mass.	37,355	Not reported													252
253	Santa Monica, Cal.	37,146	2,049,000	1,665,000	1,163,750	4,877,750	190,880	31	43	26	4,686,870	3,572,094	96.16	564,167	N	253
254	West New York, N. J.	37,107	Not reported													254
255	Hazleton, Pa.	36,765	1,923,000	1,162,000	N	3,085,000	26,488	49	51	N	2,958,512	2,958,512	80.47	N	N	255
256	Danville, Ill.	36,765	Not reported													256
257	High Point, N. C.	36,745	Not reported													257
258	Auburn, N. Y.	36,652	2,070,935	564,000	298,500	2,933,435	16,112	N	N	100	2,917,323	2,634,935	71.89	145,361	145,361	258
259	Zanesville, Ohio	36,440	383,790	596,225	229,000	1,209,015	196,465	19	81	..	1,012,550	783,550	21.50	109,340	N	259

			Gross Bonded Debt				Sinking Fund				Net Bonded Debt			Total	Total	
		Census 1930	General Improvement	Public Schools	Public Utilities	Total	Total	Gen'l Improvement (per cent)	Public School (per cent)	Public Utility (per cent)	Total	Excluding Self-supporting	Per Capita Excluding S. S.	Gross Special Assessments	Special Assessments, General Obligation	
260	Superior, Wis.	36,113	835,456	1,365,300	N	2,200,756	N		..	..	2,200,756	2,200,756	60.94	N	N	260
261	Arlington, Mass.	36,094	368,500	787,000	142,000	1,297,500	148,723	100	..	..	1,148,777	1,006,777	27.89	....	....	261
262	Norwalk, Conn.[37]	36,019	3,889,000	....	1,183,000	5,072,000	442,575	72	..	28	4,629,425	3,572,548	99.19	N	N	262
263	Elgin, Ill.	35,929	812,000	201,000	88,000	1,101,000	15,002	N	N	100	1,085,998	1,013,000	28.19	601,700	N	263
264	Norristown, Pa.	35,853	1,060,000	1,305,500	N	2,365,500	524,065	23	77	..	1,841,435	1,841,435	51.36	....	....	264
265	White Plains, N. Y.	35,830	6,106,564	7,330,000	1,766,000	15,202,564	972,997	51	37	12	14,229,567	12,587,828	351.32	....	....	265
266	Revere, Mass.	35,680	Not reported													266
267	Steubenville, Ohio	35,422	439,674	561,750	79,951	1,081,375	13,407	22	78	..	1,067,968	988,017	27.89	99,150	....	267
268	Orange, N. J.	35,399	Not reported													268
269	Alameda, Cal.	35,033	Not reported													269
270	Lewiston, Me.	34,948	613,000	455,000	338,000	1,406,000	226,000	100	..	..	1,180,000	842,000	24.09	N	N	270
271	Watertown, Mass.	34,913	514,700	955,000	8,000	1,477,700	N	..	..	..	1,477,700	1,469,700	42.10	N	N	271
272	Amsterdam, N. Y.	34,817	Not reported													272
273	West Allis, Wis.	34,671	937,000	1,073,000	283,000	2,293,000	N	..	..	..	2,293,000	2,293,000	66.14	977,370	N	273
274	New Brunswick, N. J.	34,555	2,873,700	1,216,000	1,379,000	5,468,700	N	..	.		5,468,700	4,309,700	124.72	326,000	326,000	274
275	Easton, Pa.	34,468	2,767,000	1,681,000	N	4,448,000	797,555	66	34	N	3,650,445	3,650,445	105.91	N	N	275
276	Plainfield, N. J.	34,422	3,267,000	1,844,000	N	5,111,000	234,760	100	..	.	4,876,240	4,876,240	141.66	226,000	N	276
277	Newport News, Va.	34,417	2,511,000	1,127,000	3,110,000	6,748,000	922,260	100	..	N	5,825,740	2,715,740	78.91	N	N	277
278	Santa Barbara, Cal.	33,613	1,285,025	1,261,260	558,500	3,104,785	262,157	30	57	13	2,842,628	2,842,628	84.57	N	N	278
279	Paducah, Ky.	33,541	1,383,500	195,500	2,257,000	3,836,000	143,919	44	36	20	3,692,081	1,463,222	43.62	....	....	279
280	Mansfield, Ohio	33,525	813,095	769,183	95,000	1,677,278	42,097	100	N	..	1,635,181	1,540,181	45.94	63,750	....	280
281	Joplin, Mo.	33,454	371,500	990,000	N	1,361,500	35,319	100	N	N	1,326,181	1,326,181	39.64	N	N	281
282	Waukegan, Ill.	33,449	148,000	1,001,000	1,060,000	2,209,000	N	..	..	..	2,209,000	1,149,000	34.35	....	....	282
283	Norwood, Ohio	33,411	641,889	1,002,000	133,003	1,776,892	196,346	100	..	..	1,580,546	1,447,543	43.33	27,248	N	283
284	Sioux Falls, S. Dak.	33,362	Not reported													284
285	Colorado Springs, Colo.[37]	33,237	463,000	700,000	2,127,000	3,290,000	670,218	N	N	100	2,619,782	1,163,000	34.99	124,400	....	285
286	Elkhart, Ind.	32,949	112,000	625,000	1,162,000	1,899,000	109,993	27	N	73	1,789,007	707,768	21.48	N	N	286
287	Kokomo, Ind.	32,843	Not reported													287
288	Laredo, Texas	32,618	Not reported													288
289	Tucson, Ariz.	32,506	1,584,000	1,332,000	901,500	3,817,500	775,445	90	10	..	3,042,055	2,140,455	65.85	532,490	....	289
290	Richmond, Ind.	32,493	531,500	490,000	N	1,021,500	36,140	100	.	..	985,360	985,360	30.33	....	....	290
291	Rome, N. Y.	32,338	1,070,433	699,000	108,000	1,877,433	N	N	N	N	1,877,433	1,769,433	54.72	30,500	30,500	291
292	Wilmington, N. C.	32,270	2,039,605	954,000	1,015,895	4,009,500	318,986	9	82	9	3,690,514	2,703,156	83.77	....	....	292
293	Moline, Ill.	32,236	N	486,000	341,000	827,000	N	..	..	..	827,000	486,000	15.08	441,912	121,234	293
294	Watertown, N. Y.[37]	32,205	1,789,866	1,265,500	733,000	3,788,366	293,740	56	..	44	3,494,626	2,891,762	89.79	47,867	....	294
295	Muskogee, Okla.	32,026	1,728,093	1,186,700	594,000	3,508,793	2,208,762	46	35	19	1,300,031	1,138,981	35.56	453,000	N	295
296	Meridian, Miss.	31,954	1,681,651	499,411	406,000	2,587,062	3,252	87	13	..	2,583,810	2,177,810	68.15	208,743	....	296
297	Pensacola, Fla.	31,597	2,267,000	483,000	509,000	3,259,000	472,732	100	..	..	2,786,268	2,667,268	84.42	74,000	....	297
298	Nashua, N. H.	31,463	1,033,000	297,500	N	1,330,500	65,779	..	..	N	1,264,721	1,264,721	40.20	....	....	298
299	Fort Smith, Ark.	31,429	Not reported													299
300	Port Huron, Mich.	31,361	1,193,536	456,000	136,000	1,785,536	61,475	100	N	N	1,724,061	1,588,061	50.64	127,428	127,428	300
301	Newburgh, N. Y.	31,275	1,228,700	1,729,703	628,231	3,586,634	24,386	N	100	N	3,562,248	2,934,017	93.81	116,667	....	301
302	Marion, Ohio	31,084	Not reported													302
303	Bloomington, Ill.	30,930	Not reported													303
304	Hagerstown, Md.	30,861	Not reported													304
305	Bellingham, Wash.	30,823	472,500	N	256,000	728,500	N	..	..	..	728,500	472,500	15.33	....	....	305
306	Baton Rouge, La.	30,729	2,545,900	950,000	N	3,495,900	31,260	100	N	N	3,464,640	3,464,640	112.75	....	....	306

			Gross Bonded Debt				Sinking Fund				Net Bonded Debt			Total	Total	
		Census 1930	General Improvement	Public Schools	Public Utilities	Total	Total	Gen'l Improvement (per cent)	Public School (per cent)	Public Utility (per cent)	Total	Excluding Self-supporting	Per Capita Excluding S. S.	Gross Special Assessments	Special Assessments, General Obligation	
307	Newark, Ohio	30,596	791,250	734,000	258,000	1,783,250	70,276	..	N	..	1,712,974	1,454,974	47.55	202,250	202,250	307
308	Everett, Wash.	30,567	Not reported													308
309	Santa Ana, Cal.	30,322	543,535	3,948,750	146,125	4,638,410	463,844	09	89	02	4,174,566	4,018,298	132.52	978,155	564,482	309
310	Alton, Ill.	30,150	Not reported													310
	Canadian Cities															
1	Montreal, Que.[49]	818,577	170,580,908	39,564,000	55,270,633	265,415,541	41,361,861	86	14	..	224,053,680	168,783,047	206.19	44,985,036	....	1
2	Toronto, Ont.[50]	626,674	59,785,674	26,786,577	83,838,712	170,410,963	27,094,162	..	..	..	143,316,801	64,413,339	102.79	12,472,339	12,472,339	2
3	Vancouver, B. C.	246,593	42,261,151	10,370,176	6,008,258	58,639,585	17,894,014	74	16	10	40,745,571	36,471,231	147.90	8,377,561	1,480,280	3
4	Winnipeg, Man.[51]	218,785	10,014,764	8,250,000	37,685,559	55,950,323	25,687,771	24	13	63	30,262,552	8,562,698	39.14	8,932,181	....	4
5	Hamilton, Ont.[52]	153,507	15,437,288	4,454,580	7,127,031	27,018,899	579,434	02	..	98	26,439,465	19,865,204	129.41	3,356,256	1,728,977	5
6	Quebec, Que.[53]	130,594	23,895,730	6,584,000	7,372,757	37,852,487	4,100,462	51	35	14	33,752,025	26,953,190	206.39	....	....	6
7	Ottawa, Ont.[54]	126,872	10,678,394	3,758,954	6,531,948	20,969,296	4,916,005	31	22	47	16,053,291	11,827,737	93.22	2,810,086	1,245,344	7
8	Calgary, Alta.[55]	83,761	8,741,641	2,511,700	11,008,447	22,261,788	9,317,515	34	N	66	12,944,273	8,076,085	96.42	2,820,327	1,029,441	8
9	Edmonton, Alta.[56]	79,197	22,566,736	3,901,048	7,233,518	33,701,302	10,502,702	73	7	20	23,198,600	18,095,714	228.49	3,020,561	....	9
10	London, Ont.[57]	71,148	3,805,644	2,842,683	4,029,935	10,678,262	1,644,379	..	..	..	9,033,883	7,175,239	100.85	1,300,582	....	10
11	Windsor, Ont.	63,108	Not reported													11
12	Verdun, Que.[58]	60,745	8,044,700	1,705,408	100,000	9,850,108	2,056,998	92	8	..	7,793,110	7,693,110	126.65	1,747,200	....	12
13	Halifax, N. S.	59,275	10,385,652	2,657,152	2,109,209	15,144,013	4,466,621	72	28	..	10,677,392	8,576,183	144.68	478,376	478,376	13
14	Regina, Sask.[59]	53,209	6,353,158	2,510,746	7,214,329	16,078,233	6,862,030	44	08	48	9,216,203	5,269,400	99.03	3,885,302	1,457,365	14
15	St. John, N. B.	47,514	Not reported													15
16	Saskatoon, Sask.	43,291	6,290,893	2,875,770	4,516,496	13,683,159	4,902,580	40	11	49	8,780,579	6,657,035	153.77	2,689,667	922,858	16
17	Victoria, B. C.	39,082	11,387,197	968,915	3,725,895	16,082,007	4,395,002	61	19	20	11,687,005	8,834,961	226.06	....	....	17
18	Three Rivers, Que.	34,450	Not reported													18

— Estimated. N — None.

[1]**New York.** General bonds include assessment bonds, $94,735,000; utility bonds include rapid transit (subway) $714,202,889, and docks $181,614,298; general sinking fund includes school. The water utility is self-supporting, subway $50,622,725, and docks $90,000,000, self-supporting.

[2]**Chicago.** General bonds include sanitary district bonds, $120,328,275, 86 per cent of the total debt of the district, which is the proportion of taxable values within the city, and the bonds of the various park districts, now consolidated. County debt, $47,291,910, and forest preserve district (co-terminous with the county), $12,515,750, are not included; 83.8 per cent of the taxable values are within the city. Utility bonds are light and power.

[3]**Philadelphia.** General bonds include utility debt. Net self-supporting debt is estimated at $60,000,000. There is no county debt.

[4]**Detroit.** General bonds include school and public lighting bonds. Utility bonds include street railway, $37,456,000. General sinking fund includes school.

[5]**Los Angeles.** General bonds include flood control, $13,890,600, based upon proportion of taxable values within the city; utility bonds include light and power $32,535,000, harbor $19,995,500, and metropolitan water district $39,050,000. School bonds are issued by the county, the city's pro-rated share being reported. The city's portion of county debt, $3,213,000, is omitted. Debt is reported as at June 30, 1935.

[6]**Cleveland.** Utility debt includes light and power, $4,469,000. City's portion of county debt omitted.

[7]**Baltimore.** In addition to the water debt, general bonds for conduit and certain harbor terminal are deducted as self-supporting.

[8]**Boston.** General debt includes county, $997,000, borne entirely by city. Utility bonds include rapid transit and traffic tunnel, $77,089,700. $19,166,223 traffic tunnel debt is deducted in computing self-supporting, the tunnel being about 90 per cent self-supporting.

[9]**San Francisco.** Utility bonds include street railway, $1,700,000; water debt includes power. Golden Gate Bridge general obligation bonds, $23,700,000, not included; if not self-supporting, city will pay 85 per cent of cost.

[10]**Milwaukee.** Metropolitan sewerage district bonds, $18,427,146, 79.5 per cent borne by city, not included. Water debt includes $1,500,000 revenue bonds.

[11]**Minneapolis.** Utility bonds include market, $180,000.

[12]**New Orleans.** General bonds include sewer, water, and drainage bonds. Utility bonds are Public Belt R. R. Debt reported does not include Public Belt Bridge revenue bonds, $6,000,000, port (a state agency) $37,304,000, and Orleans levee district (co-terminous with the city) $19,989,000.

[13]**Cincinnati.** General bonds include university, $3,223,180; utility bonds include rapid transit, $6,100,000; Cincinnati Southern Railway construction, $14,932,000, and terminal, $6,900,000; and airport, $777,000. The annual rental of the railway exceeds the debt charges on its construction bonds, the excess being equivalent to debt charges on approximately $10,000,000, 25-year, 4 per cent, bonds; self-supporting debt is computed on this basis.

[14]**Seattle.** Utility bonds include light and power, $33,944,000, and street railway, $9,091,000.

[15]**Indianapolis.** Utility debt is gas bonds; school debt includes library.

[16]**Portland.** General bonds include dock, $6,759,800, and city's share (92.98 per cent) of port bonds, $2,532,000. Utility bonds include golf links, $103,000. School debt reported is city's share (96.86 per cent) of school district number one.

[17]**Columbus.** Utility debt includes light and power, $1,406,000.

[18]**Denver.** Utility bonds include city's portion (88 per cent) of Moffat Tunnel District.

[19]**Oakland.** General bonds include harbor, $6,721,000. Utility bonds are city's share (60 per cent) of East Bay Municipal Utility (Water) District.

[20]**Omaha.** Utility bonds include gas, $2,639,000.

[21]**Syracuse.** Utility bonds include stadium, $125,000.

Miami Conservancy District not included.

[23]**Richmond.** Utility bonds include light and power, $300,000, and gas, $3,349,550.

[24]**Nashville.** Utility bonds include light and power, $78,000.

[25]**Long Beach.** Utility bonds include gas, $3,400,000; water debt is city's portion (8 per cent) of Metropolitan Water District.

[26]**Norfolk.** Utility bonds include port terminal, $5,461,000. General sinking fund includes school.

[27]**Jacksonville.** Utility bonds include light and power, $1,222,500, and docks and terminals, $2,265,000.

[28]**Kansas City, Kansas.** Utility bonds include light and power, $2,280,000.

[29]**Spokane.** Utility bonds include golf, $75,000.

[30]**Tacoma.** Utility bonds include light and power, $6,696,000, street railway, $343,000, and garbage plant, $44,000. Port debt not included.

[31]**Wilmington.** Utility bonds include harbor, $2,630,000. Debt as at June 30, 1935.

[32]**Knoxville.** Utility bonds include light and power, $300,000.

[33]**El Paso.** Utility bonds include sewer, $343,000, and stadium, $49,000.

[34]**Evansville.** Utility bonds include sewage revenue bonds, $300,000.

[35]**Duluth.** Utility bonds include gas, $531,030.

[36]**Sacramento.** Utility bonds include harbor, $135,000.

[37]In the following cities, utility bonds include lighting for the following amount: **Lansing,** $877,000; **Pasadena,** $258,225; **Springfield, Illinois,** $175,000; **Glendale,** $43,000; **Jamestown,** $100,000; **Chicopee,** $8,250; **Norwalk,** $19,000; **Alameda,** $47,225; **Colorado Springs,** $867,000; **Watertown,** $733,000.

[38]**New Britain.** Utility bonds include subways for electric wires, $435,000.

[39]**Beaumont.** Utility bonds include wharf and dock, $1,546,750, and abattoir, $10,000.

[40]**Holyoke.** Utility bonds include lighting, $741,000, and Holyoke and Westfield R. R., $132,000.

[41]**Cedar Rapids.** Utility bonds include sewer, $976,000.

[42]**Jackson.** Utility bonds include sewage disposal, $397,000.

[43]**Austin.** Utility bonds include sewer, $624,500.

[44]**Hamilton.** Utility bonds include lighting, $414,500, and gas, $125,230.

[45]**Phoenix.** Utility debt includes street railway, $600,000; school debt is county.

[46]**Battle Creek.** Utility debt is sewer.

[47]**St. Petersburg.** Utility debt includes lighting, $535,000, street railway, $1,162,000, and gas, $1,038,000. School debt not reported.

[48]**Rock Island.** Utility debt is river and rail terminal.

[49]**Montreal.** Utility debt includes undergound conduit, $6,150,000.

[50]**Toronto.** Utility debt includes light and power, $24,091,447; street railway, $28,708,760; Canadian National Exhibition, $2,847,040, of which 65 per cent is carried by taxation; Royal Winter Fair, $1,465,185, 55 per cent carried by taxation; housing, $297,000, 15 per cent carried by taxation; and abattoir, $301,025, and ferries $25,000, both carried by taxation. Harbour Commission bonds, $23,029,000, guaranteed by the city, not included in debt reported.

[51]**Winnipeg.** Utility debt includes hydro-electric, $25,502,000; steam heating, $1,500,000; housing, $2,150,000; and other, $2,868,487.

[52]**Hamilton.** Utility bonds include hydro-electric, $2,568,857.

[53]**Quebec.** Debt is as at April 30, 1935.

[54]**Ottawa.** Utility bonds include hydro-electric, $709,312.

[55]**Calgary.** General bonds include hospitals, $295,095. Utility bonds include electric, $2,977,872, and street railway, $2,855,644.

[56]**Edmonton.** Utility bonds include electric, $1,839,743; street railway, $965,611; and telephone, $1,080,998.

[57]**London.** Utility bonds include electric, $918,074; electric railway, $1,874,035; and housing, $297,256. Data as at January 1, 1935.

[58]**Verdun.** Utility bonds are housing. School debt reported is for Protestant schools.

[59]**Regina.** Utility bonds include electric, $2,667,366; street railway, $2,008,018; and air harbour, $100,000.

NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

(Continued from Page 327)

9. It does not maintain a current tabulation of bonds and notes issued.

The developments which may be listed as credits are:

1. The commission has undoubtedly prevented much unwise borrowing, probably more through preventing applications than by disapproving them. On the other hand, it has certainly not erred on the side of undue severity in disapproving applications.

2. The procedure for the issue and sale of bonds insures uniformity, technical regularity, and minimum cost.

3. In most cases the bonds of local units are assured of a wider market and lower interest rates because of the commission's method of advertising and selling.

4. Note issues have been reduced in volume, given a wider market, and lower interest rate.

5. There has been a great improvement in the investment of sinking funds currently accumulating and in the protection of current funds.

6. The commission has effected large savings for local units by supervising auditing contracts, and by acting as depository for bonds to be exchanged.

7. The commission performs a number of other services for local units, such as advising them on financial matters, assisting in the preparation of refunding plans, and the compiling, publishing, and distributing of all laws pertaining to local governments.

On balance, so far as the commission is concerned, the credits outweigh the debits; this first real experience with fiscal control has been favorable. Some of the unfavorable factors have been caused by conditions beyond control, while others have been caused by a weakening of the general assembly. So, while the commission has been a success, it has not accomplished all that was hoped for it, nor all that could reasonably be demanded of it.

FEDERAL MUNICIPAL DEBT ADJUSTMENT ACT

(Continued from Page 332)

March 4, 1936). Three main arguments are relied upon by the petitioners: First, that the act is unconstitutional because it attempts to deal with political subdivisions, control over which is reserved to the states by the tenth amendment, and which can only be delegated to the United States by constitutional amendment duly adopted, instead of by mere consent or acquiescence of any one state; second, that the act attempts to authorize any state to impair the obligation of the contracts of its political subdivisions in violation of subdivision (1) of section 10 of article I of the constitution, by permitting the application of the bankruptcy act to its political subdivisions; third, and a strong argument, that the act is unconstitutional because it attempts to make its application dependent upon the will of the state in which the political subdivision invoking the act is located thus destroying the uniformity of the act as a national bankruptcy act. This petition is of further significance because the question of the validity of loans by the Reconstruction Finance Corporation to special taxing districts has also been squarely raised.

A decision by the United States Supreme Court that the act is unconstitutional would be unfortunate. Bankruptcy procedure is the best guarantee that the more serious municipal debt difficulties will be settled amicably, and that the unfortunate experiences following the depression of 1873 will not be repeated.

Editor's Note.—The decision of the United States Supreme Court, declaring the municipal bankruptcy act unconstitutional, was made public as this issue of the Review was going to press.

NEWS OF THE MONTH

NOTES AND EVENTS

Edited by H. M. Olmsted

Toledo Establishes Official Industrial Peace Board.—A recent ordinance of the city of Toledo, Ohio, according to the *United States Municipal News,* officially establishes the Toledo Peace Board as a municipal advisory board, to promote industrial harmony and assist in the maintenance of law and order. The board was set up in July 1935, on the suggestion of Edward F. McGrady, Assistant United States Secretary of Labor. The mayor of Toledo has given his official appointment to all present members of the board, and will fill vacancies on the written recommendation of the board itself. Members are to remain unsalaried, but the city will henceforth pay the salary of a director and the office expenses of the agency, up to a total of $5,625 for the next fiscal year. The duties of the board include the making of investigations and recommendations in industrial matters, and the study of industrial problems which affect the general public.

*

Council-Manager Plan Developments.—The council-manager plan and its handmaiden, proportional representation, have been subject to several recent attacks, some of which have been successful while others have been warded off. As noted in the proportional representation department in this issue, Cincinnati on May 12 retained the Hare system of voting by a narrow margin. Shorewood, Wisconsin, by a six-to-one vote of the village board recently abandoned the village manager ordinance that has been in effect for eight years. The board assumed powers formerly exercised by the manager, among them the authority to hire and discharge municipal employees, including police and firemen. The village president, according to the May 15 *News Letter* of the International City Managers' Association, gave as the reason for the change, "This will provide greater concentration of authority"(!) The board, however, at the same meeting reappointed H. A. Schmitt, the village manager, as chief administrative officer, at his former salary. Stevens Point, Wisconsin, has abandoned the manager plan and has voted to return to the mayor-alderman plan in April 1937.

Beaumont, Texas, where the manager plan has been in operation since 1920, voted on May 23 on a proposal to replace the plan with the mayor-commission form of government. The manager plan was sustained by a vote of 1724 to 468.

In Pomona, California, a board of freeholders has completed the framing of a manager charter for submission to the voters. Chickasha, Oklahoma, recently elected a board of freeholders to draft a charter for approval at the polls. It is planned in Columbus, Ohio, to circulate new petitions calling for a special election this summer on the adoption of the manager plan. Canon City, Colorado, is reported to be considering the adoption of the plan. In Chicago, Illinois, the city manager committee of the City Club has circulated petitions on the manager plan as a preliminary move in the effort to enlist civic organizations throughout the city in a widespread circularization of citizens.

Bethany, Oklahoma, on May 5, defeated a proposed council-manager charter, and El Cerrito, California, is also reported to have voted against a similar proposal.

New Rochelle Scraps Nonpartisan Elections.—On May 18 the city council of New Rochelle, New York, against the opposition of the Charter League, the local newspaper, and civic groups, amended the city manager charter, eliminating the provision for nonpartisan election. The vote was three to two. The action was reported to have the support of the regular Republican organization.

*

Survey Committee Reports on New Jersey Local Government.—The Princeton Local Government Survey Committee, headed by Dr. Harold W. Dodds, president of Princeton University, made public on May 19 the first of a series of four bulletins on local government in New Jersey. The committee has been engaged for more than a year in investigations to develop a program for the practical improvement of local government in that state. The first bulletin emphasizes the great number of separate local governments in New Jersey—21 counties, 52 cities, 253 boroughs, 23 towns, 233 townships, 3 villages, 543 school districts, and many special districts. There are more than 350 separate and independent police departments in the one small state.

The bulletin outlines three basic policies which it claims are essential to effective and economical government:

> First, a clear-cut procedure for the permissive consolidation of local government services, a further coöperation, wherever suitable conditions prevail, between local government units, and a wider application of regional government, particularly in the metropolitan areas.
>
> Second, complete provision for readjustment in local government structure based on a realistic classification of municipalities, on a thoroughly coördinated fiscal procedure, and on a greatly simplified framework.
>
> Third, a complete revision of the welter of local government laws, and a new precision, thoroughness and clarity to statute law-making that has only rarely been attained in New Jersey.

*

A Legislative Research Bureau for Editors?—A proposal made to the New York State Society of Newspaper Editors at its annual meeting in Rochester, that the society establish a research bureau to analyze and report on all legislation in the state affecting the press and local government, resulted in the appointment by President Clarence T. Leighton of the society on May 18 of a committee of five editors to study the idea. Such a bureau was suggested to the editors by Howard P. Jones, editor of the NATIONAL MUNICIPAL REVIEW.

*

State Legislatures and Local Government.—As a result of reporting the activities of the 1936 session of the Virginia General Assembly and noting reports received from other states, Harold I. Baumes, assistant director of the Municipal Reference Bureau of the League of Virginia Municipalities, has concluded that local government could readily be regarded as a legislative step-child or foundling. He observes that at nearly every session of state legislatures, "local bills and general bills are introduced which, if passed, would strangle local government either by limiting sources of local revenue, making inroads on home rule, centralizing supervision in the state, or imposing new financial burdens without providing additional revenue sources to meet them." Nevertheless, he believes there are definite remedies, which he outlines as follows:

"First, we must continually emphasize before our state legislative bodies that the political subdivisions are merely a part of the state government and that it is nothing short of foolishness to blindly curtail revenue sources or impose additional financial burdens on them without making necessary changes in the burdens carried by the localities or the local tax system. Second, the attention of such state research bodies as the legislative advisory council should be directed to the study of local as well as state problems and a constructive legislative program for the proper development of the local political subdivisions should be prepared. This would serve to emphasize the close relationship which actually exists between the state and the local units and the fact that legislation which is detrimental to the local units also adversely affects the state as a whole. Third, an effort must be made to coordinate the state legislative needs of the counties and municipalities so that they can

present more nearly a united front before the state legislature. A legislative program must be prepared based on careful study and research, accurately and completely enumerating the reasons why certain legislation should be enacted and the results which would follow its passage. The development of a well organized, active municipal league will contribute much to this desired objective. Getting at the actual facts as they exist is the best way of securing unanimity of opinion on any question. And last of all, proper and proportionate representation should be accorded both the rural and urban sections of the state so that the interests of each can be fairly presented. This will call for courageous redistricting without regard to local political situations.

"Simplification of the state legislative processes themselves would be conducive to more constructive legislation. Smaller legislative bodies and fewer committees so arranged as to allow ample time for the consideration of all legislation presented would seem to be a step in the right direction. The remarkable thing is that more harmful legislation is not 'pushed through' in the confusion which is bound to exist in a biennial session of a state legislature for a period as short as sixty days in some states. Only by working out in advance a comprehensive legislative program for both the state and the localities can such unfortunate results be avoided. Indeed, it is remarkable that the legislators in many of our states have been able to contribute as much as they have to the advancement of democratic government."

A Constitutional Convention for New York?—Governor Lehman on May 21 signed a bill providing for submission to the voters of New York State next November of a referendum on the holding of a constitutional convention. If the voters approve the proposal, delegates will be elected in the fall of 1937 for a convention to be held in April 1938. There has been no constitutional convention in New York State since 1915.

Civil Service Rules Urged for Federal Emergency Agencies.—On May 18 the National Civil Service Reform League forwarded to the national chairmen of the two major parties copies of a model civil service reform plank, urging its adoption for the platforms of both parties. It stresses the extension of the civil service rules to the exempt positions in the temporary agencies of the federal government, now numbering more than 200,000.

The Public Affairs Committee, headed by Raymond Leslie Buell, also gives emphasis to the great increase in federal positions in emergency agencies outside of the merit system, in a pamphlet entitled "Our Government —For Spoils or Service?" This publication summarizes the findings of the Commission of Inquiry on Public Service and is issued in coöperation with the Institute of Public Administration. It urges a new drive to place government service on a career basis.

Women's Groups Demand Merit System.—At the opening mass meeting, April 28, of the fifth biennial convention of the National League of Women Voters, in Cincinnati, Ohio, civil service reform was emphasized and a vigorous demand for the merit system was expressed. A plan of campaign was presented and endorsed, the major features of which are: civil service planks in party platforms, the pledging of candidates to the merit system, and the organization of a lobby for continuing pressure on national legislators.

The General Federation of Women's Clubs at its annual meeting held in Miami, Florida, adopted a resolution in which the federation "reaffirmed its adherence to the merit system and urged upon Congress and the state legislatures continued extension of the civil service plan to the end that fitness and efficiency shall be the major consideration in filling of appointive public positions."

Michigan League Sponsors Model Personnel Departments.—Michigan cities wishing to use the merit system in municipal work, but hitherto unable to do so because of the cost of its installation, are being given the opportunity through aid supplied by the Michigan Municipal League, which has arranged for Public Administration Service of Chicago to install model personnel departments in three selected Michigan cities—Flint, Dearborn, and Saginaw—as a demon-

stration of what can be accomplished under varying conditions.

Saginaw, without a formal civil service commission, is a city manager city, and the personnel unit will operate directly under the manager. Flint, also a manager city, has an independent civil service commission with the three members appointed, one each by the city commission, the school board, and the hospital board. Dearborn has a council-appointed civil service commission with jurisdiction over all employees except policemen and firemen; its charter also provides a separate board for the firemen but none for policemen. Public Administration Service will design personnel systems to fit these varying conditions, including provisions for competitive examinations, classification, and compensation plans, service rating and other similar devices; and the Michigan Municipal League is organizing a staff of personnel technicians to render continuous operating services on a cost basis to its member cities.

*

Public Works Administration for Municipal Engineers.—A three-day conference or "school" was held at New York University early in May for the purpose of dealing with problems of administration, particularly for the benefit of municipal public works engineers and officials. Sponsors of the conference were New York University's College of Engineering and Division of Public Administration, the American Society of Municipal Engineers, and the International Association of Public Works Officials. The conference was attended by heads of public works department bureaus, WPA and PWA engineers, and college professors of engineering, all of them from New York City and nearby towns. There were two lectures on public works finance, including sewer rental laws, street assessments, underwriting bonds, the economics of grants-in-aid, etc. In a session on procurement practices in public works, lectures by Russell Forbes, New York City Commissioner of Purchase and a governmental consultant, gave them insight into the purchasing problems and approved purchasing methods for cities of small, medium, and large size. Intercommunity problems, such as flood control, power development, and regional planning, were presented in another session, with suggestions as to possibilities of their coöperative solution. Two lectures on planning for public works construction and the personnel problems of public works closed the series.

It is planned to repeat the New York school next year and the two associations are considering sponsoring similar conferences in other parts of the country also.

COUNTY AND TOWNSHIP GOVERNMENT

Edited by Paul W. Wager

New York State.—*County Government Bills at Albany.*—The New York legislature adjourned on May 13 without taking any long steps toward carrying out the mandate of the county home rule amendment, approved by the voters of the state last fall by a three-to-one majority. It did pass the least comprehensive of the three general optional county government bills before it, sponsored by Senator Fearon of Syracuse, Republican minority leader of the senate, and Assemblyman Parsons; but this bill does not put within the power of the voters of a county—unless they can get the coöperation of the county board of supervisors—any powers which they could not have been given before the county home rule amendment was passed. It is in general similar to the Buckley county home rule law passed last year, under which Monroe County has installed a county manager, but is slightly better in its manager plan provisions and also allows a county to get improved budget procedure and increased powers of local legislation without making any fundamental change in its structure of government. It contains an option also for a small board of supervisors elected from districts for county purposes only, but for some unexplained reason this improvement is not made available in connection with any of the plans for a chief county executive. Its only provision for transfers of powers from one unit of government to another, as contemplated in the home rule amendment, is that the board of supervisors of a county which has adopted an optional form may put on the ballot any such transfer which does not conflict with local laws passed under the home rule powers of cities. This sort of blanket authorization has

been questioned as outside the permission granted the legislature to submit specific forms of government which transfer powers.

The Fearon-Parsons act, which Governor Lehman signed though he was strongly in favor of a more comprehensive bill, cannot take effect until next year because of its provisions that questions can be submitted under it only in odd-numbered years. It was partly for that reason that upstate officials expressed a preference for the Fearon-Parsons bill. The Buckley-Reoux (Mastick commission) bill, which was described in this department for February, and the Desmond-Mailler bill, which contained most of the options of the other bills and a good many others besides, could both have been used this fall and thus made extensive improvements and economies available before the next election of county officers.

All three bills passed the Democratic senate unanimously. They could all have been passed and signed without legal conflict, and until the last day of the session there was some hope that this course would be followed because of the large amount of public interest that was shown in the two more comprehensive bills. The Republican-controlled rules committee of the assembly, however, was finally persuaded by the pleas of affected office-holders to keep all but the Fearon-Parsons bill in committee. The assembly minority leader, Assemblyman Steingut, tried to bring the other two bills out by discharge motions, but like most other such motions these were rejected by straight party votes on short roll calls.

A further account of the fortunes of the Desmond-Mailler bill, the only one which included options for proportional representation, preferential voting, non-partisan ballot, and various other improvements in election methods, and the only one which allowed the people by direct petition and popular vote to reduce the number of separate units of government within a county, will be found on page 377.

G. H. H. Jr.

Nassau County Charter Bill Passed.—The New York legislature on May 13 passed, with certain minor changes made by the senate, the Nassau County charter bill (S. Int. 611, A. Int. 703). This is the first measure passed under the provisions of the county home rule amendment adopted last fall. If the Governor signs it, as he is expected to do, it will be voted on next November. It was prepared by the Nassau County Commission on Governmental Revision, appointed by the county board, after careful study and numerous public hearings and with the assistance of the Consultant Service of the National Municipal League, directed by Dr. Thomas H. Reed. Its passage marks a long step forward in the movement for county reorganization in New York, not only because of the benefits it promises to Nassau County but also because it indicates that the legislature and the people of that state really intend to realize on the opportunities presented by the recent constitutional amendment.

Monroe County Act Sustained.—It is the unanimous opinion of the New York State Court of Appeals that the Buckley law [under which the voters of Monroe County adopted the county manager form of government (Plan B)] means what it says. That is, when it gave the county manager appointed under its provisions the power to reorganize the county administration it had no thought of hampering his action. The section which requires a hold-over elective officer "to perform such duties as may be assigned to him by the county manager" is unanimously sustained.

With this judicial approval of his powers, and with the supervisors' authority to employ competent financial experts to effect a reorganization of the county's fiscal affairs, Mr. Smith [Monroe County's new manager] can proceed on his plan to co-ordinate tax collection, auditing, and purchasing in a unified finance department for which the law provides.

This is the county manager's first and perhaps most important task. He already has intimated that as finance director, which place he holds along with his general supervisory duties, he will establish a division of the treasury, a division of purchase, and a controller's division. The advice of experts will be sought to make the details of the organization workable and efficient.

One important action remains to be taken by the board of supervisors on financial questions. This is a resolution providing definitely for an annual audit by competent

outside certified public accountants. The omission of this requirement from the Buckley law was a serious defect. With this addition the county's finances will be managed in the manner which has been adopted by cities with modernized governments. (From the Rochester *Democrat-Chronicle*, April 17, 1936.)

HAROLD W. SANFORD

Reorganization of Westchester County Again Defeated.—On April 27, the Westchester Commission on Government, headed by Carl H. Pforzheimer, submitted to the board of supervisors a final draft of its recommendations in bill form with a request that it be forwarded immediately to the legislature for approval. The commission also asked that it be discharged, its work having been completed.

One of the principal effects of the proposed new government would be to abolish the supervisors, substituting a legislative body of ten members and providing for an elective county executive.

The commission urged early action pointing out that failure to send the bill to Albany prior to the rapidly approaching adjournment of the legislature would delay action until next year, necessitating a referendum simultaneously with the election of a new board of supervisors. However, three days later the Westchester board of supervisors rejected the charter. This makes any action by the present legislature impossible and delays re-organization of Westchester County government again.

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Virginia—County Planning Legislation.—The principal act relating to county government passed by the 1936 session of the Virginia general assembly is chapter 429 of the acts of the assembly which authorizes county boards of supervisors to appoint a county planning commission of five members, who are to serve without pay and are to be removable for cause by the appointing authority. It is the duty of the planning commission to make a master plan for the physical development of the unincorporated part of the county for the purpose of "accomplishing a coördinated . . . development of the county which will best promote the health, safety, morals, order, convenience, prosperity, and general welfare of the inhabitants . . ." If the county board of supervisors accepts the plan, then the planning commission has authority to approve the location of any proposed road, park, public building, or utility. The commission's disapproval, however, can be overruled by the board of supervisors.

The coöperative nature of planning is seen in the inter-relationships of the county planning commission. The Virginia act provides for planning coöperation between the county and the state highway department, the county and the incorporated areas within the county, and between the county and the state planning board. The county commission is required to send to the state board copies of all surveys, reports, and maps.

One county, Henrico, has appointed a planning commission as provided by this law.

JAMES E. PATE

College of William & Mary

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Wisconsin—Milwaukee City Parks to Be Transferred to County.—The Milwaukee area continues to make gradual approaches to internal consolidation. The proponents of consolidation, having been temporarily balked in the state legislature, have started to attack their problem from the functional standpoint. In the spring election this year the voters of the city were presented with the question of handing the administration of the city park system over to the county which at present administers a separate park system of its own. By a three-to-one vote the city electorate answered in favor of taking such action. Two qualifying questions had been inserted on the ballot: (1) "Shall a condition of the transfer be the assumption by the county of $4,631,251 of city park bonds?"; (2) "Shall a condition of the transfer be the empowering of the mayor and common council to appoint a majority of the county park board?" Both questions were defeated. The Socialists had advocated the transfer, but had also advocated the passage of the two qualifying amendments. The transfer was approved in every ward and in almost every precinct.

The referendum ordinance instructs the proper city officials to transfer the parks to the county by July 1, 1937. City employees transferred to the county will retain civil service rights, seniority, pension rights, and pay rates.

LEE S. GREENE

University of Wisconsin

PROPORTIONAL REPRESENTATION

Edited by George H. Hallett, Jr.

P. R. Wins in Cincinnati.—"The P. R. way of voting, part and parcel of Cincinnati's new era in government, stays in the city charter.

"And thus, in Tuesday's primary, was written a rather extraordinary page of Cincinnati's recent political history. The rebuff of the leaders of what has long been the dominant party in the community is no small event.

"A few years ago it would have been unthinkable that any general proposition supported by the disciplined Republican organization could have gone down to defeat at a primary. Now we have witnessed the fact accomplished. . . .

"The victory gives heart to civic groups everywhere who have looked to Cincinnati for proof that a so-called reform government can withstand the assaults of embattled politicians if the electorate is wise.

"The victory is the people's—a tribute to their intelligence and good judgment."

This was the editorial comment of the Cincinnati *Post,* staunch champion of proportional representation since it first was put on the ballot for adoption in 1924, on the defeat on May 12 of the proposal to abolish the system and substitute plurality elections without primaries.

The vote was close: 35,819 for the amendment, 36,650 against it, a majority of 831. As is usual at a primary, the total vote was only about half the normal vote in a regular municipal election.

The Republican organization had picked for the referendum the very best time to get rid of the system of election which had brought an end to the domination of the notorious Cox-Hynicka machine a little over ten years ago and had kept its successors out of power ever since. The primary is traditionally a time when independents in large numbers stay at home and professional politicians are in the ascendancy. And this particular primary came only a few months after the election of Herbert S. Bigelow, independent pastor of the People's Church and associate of Father Coughlin in the National Union for Social Justice, had raised doubts in many conservative minds as to the method of election which happened to give him the balance of power in the city council. As described in this department for February 1936, a very satisfactory working agreement between the four City Charter Committee councilmen and Mr. Bigelow was arranged without loss of ideals on either side and the city's famous good government regime continued without interruption, but the development was sufficient to cause the influential Cincinnati *Enquirer* to switch from recent support of P. R. to opposition and to give the politicians an argument against P. R. with more appeal than any they had had since the plan's adoption. Under such circumstances Forest Frank, executive secretary of the City Charter Committee, hailed the defeat of the amendment as "a stupendous victory."

There was at first some talk among organization men of submitting the repeal again at the fall election, but at that time both of their advantages will be minimized. The independent vote will be out in full force for the election of a president, as it was when the P. R.-manager charter was adopted in 1924. And Mr. Bigelow has now won the Democratic nomination for Congress by a vote of about three to one against the regular Democratic nominee and stands an excellent chance of election in the fall, while several of his running-mates were nominated for other offices, making it clear that although P. R. is the only system which guarantees to his insurgent movement its rightful share of representation other systems might do even better by it.

The attack on P. R. was carried on almost entirely by the Republican organization. It was sponsored ostensibly by a "Nonpartisan Committee for Repeal of P. R.," but, as the *Post* put it editorially on May 9:

> Whose baby is this amendment to kill P. R.? It was left on Cincinnati's doorstep with the label "Nonpartisan Committee" tied to the basket. But when the people of Cincinnati looked a little closer they found "G. O. P. bosses" embroidered on the dress.
>
> Look at the guest list at the christening! Four hundred of the 438 petitions were circulated by Republican precinct officials and political job holders. Republican Chairman Hagan boasts of the work done by his party followers.

The work of the organization was most effective among the under-privileged negroes, most of whom followed orders blindly even though P. R. had forced a creditable representative of their race into the Republican delegation in the council. The sixteenth ward, one of the two in which negroes predominate, gave the amendment a majority of over 2,300. After the election George B. Conrad, a prominent negro lawyer, announced that "the progressive, educated classes of my group supported P. R." and promised a continuing educational campaign in its civic advantages.

The City Charter Committee took an effective lead in defense of the election system which had made its reform regime possible and was vigorously assisted by its present allies in the council, the Democratic party and Mr. Bigelow. Walter J. Millard, field secretary of the National Municipal League and a Cincinnatian himself, assisted in the last weeks of the campaign. Especially helpful were the statements in support of P. R. by Monsignor Frank A. Thill, chancellor of the Cincinnati Archdiocese of the Catholic Church; Phil E. Ziegler, editor of the *Railway Clerk*, organ of the national Brotherhood of Railway Clerks; and visiting leaders of the National League of Women Voters, which held its annual convention in Cincinnati shortly before the election.

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P. R. Proposal Finding Favor in New York City.—The New York City Charter Revision Commission's announcement that it would submit P. R. to the voters at the November election was greeted with enthusiasm by most of the large civic groups which are taking an interest in charter revision. Among those which have given their whole-hearted approval to the P. R. proposal are the Citizens Union, the League of Women Voters, the Men's and Women's City Clubs, the Merchants Association, the City Affairs Committee, the Business and Professional Women's Clubs, the Joint Committee of Teachers' Organizations, and the Brooklyn Civic Council.

Editorial opinion has not yet crystallized but the few editorial expressions which have so far appeared have been largely favorable. The *World-Telegram* said on April 28:

> The act creating the commission directed it:
>
> *To draft a proposed new charter adapted to the requirements of such city (New York) and designed to provide for the people of such city a more efficient and economical form of government.*
>
> Did that mean, as it reads, that efficiency and economy were to be sought to the utmost in the proposed form and structure itself? Or did it mean that the form was chiefly to provide the people with new opportunities to work their own way toward the economy and efficiency?
>
> It seems to us the commission frankly leaned far toward the latter interpretation and consequent slower method. . . .
>
> Hence the obvious importance of proportional representation and referendum by petition for getting eventual concrete value out of the proposed charter as drafted.

The day before, in describing the new charter editorially, the *World-Telegram* had said:

> Aldermen are abolished. In their place is set up a smaller elected council—which, it seems to us, Tammany could control as well as ever unless voters approve proportional representation, which will be submitted to them as a separate question.

On the same day the *Herald-Tribune* said:

> The reformed aldermen or council would be given a greater responsibility, but one still restricted, so that many who might distrust a complete proportional representation system may well be tempted to try, simply as an experiment, the "P. R." alternative offered here for the election of the councilmen.

The *American* and the *Post* were on record as strongly favorable to P. R. before the charter proposals were announced. The *American* outlined its ideas as to charter revision on December 21, 1935, as follows:

> The most sensible and practicable reform is the Cincinnati plan—a single chamber legislature, elected by proportional representation, abolition of borough government with borough representation in the legislature, and civil service in every field of the local government.

The *Post* had two strong editorials in support of P. R. on March 2 and July 7 of last year. In the latter of these it referred to P. R. as the "one bulwark against complete Tammany dictatorship."

The weekly *Nation* of May 6, 1936, says:

> The new charter, as presented by Chairman Thacher and his colleagues, is a sober, conservative, middle-of-the-road plan,

the main feature of which is the substitution of a city council of twenty-nine members[1] for the thoroughly discredited board of aldermen. . . . The success of the city council plan, of course, depends largely on the adoption of proportional representation, which with the new charter will be voted on next November. For without proportional representation, a determined Tammany would probably find it not much harder to elect twenty-nine councilmen than sixty-five aldermen. And New York will find itself, if it adopts the charter without changing the mode of selecting candidates, with a more orderly arrangement of the same sort of government it now has, subject to the same irresponsible controls and the hazards of machine politics.

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New York Senate Again Approves Optional P. R. for Counties.—Along with two other general bills to provide optional forms of county government for New York counties outside New York City, the New York senate on April 28 passed unanimously a bill by Senator Thomas C. Desmond of Newburgh, independent Republican, which included the right to adopt proportional representation for county boards of supervisors by petition and popular vote in connection with any one of the four optional forms of government set up in the bill. A bill by Senator Desmond containing this option passed the senate last year also, though with some opposition, and was killed in the rules committee in the assembly.

This year's bill was sponsored in the assembly by Assemblyman Lee B. Mailler, Republican, who like Senator Desmond represents Orange County. In spite of its Republican sponsorship, it was killed by the Republican leaders in the assembly committee on rules after it had passed the Democratic senate. The Democratic leader in the assembly moved to discharge the committee from further consideration of the bill and was supported in his motion by all the Democratic members. The Republicans defeated the motion in order to support their leaders who had made the decision, though it is known that many of them would have supported the bill if it had come to a vote on its merits. The Buckley-Reoux bill introduced for the New York State Commission for the Revision of the Tax Laws (Mastick Commission) met the same fate and only the Fearon-Parsons bill, the least comprehensive of the three, passed both houses.

The Desmond-Mailler bill received wide popular support, much of which was based on its inclusion of P. R., and was urged on the legislature as the best of the three bills by the taxpayers' associations of Nassau, Ulster, and Greene Counties; the Bureau of Municipal Research, the Taxpayers' Association, the Chamber of Commerce, and the Charter League of Schenectady; the Women's City and County Club of Poughkeepsie; the Merchants' Association and the Citizens Union of New York; the State Association of Professional Engineers, the Olean *Herald,* and the New York *American.* It was favored along with the Mastick Commission bill by the state League of Women Voters, the board of supervisors of Schenectady County, the Schenectady *Gazette,* and the Brooklyn *Eagle.* The groups favoring the Desmond-Mailler bill are continuing their efforts and will attempt again to pass it at the next session.

A general account of the three optional county government bills will be found on page 372.

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National League of Women Voters Endorses P. R.—At its recent annual convention in Cincinnati the National League of Women Voters adopted as one of the League's continuing responsibilities, for support when necessary, "The municipal manager plan, preferably with council elected by proportional representation." P. R. has been on the national study program of the League and has been supported by local leagues of women voters nearly everywhere that it has been an issue before the voters, but this is the first time that it has found a place in the League's national active program.

[1]If P. R. is adopted the number will not be fixed but will be determined each time by the size of the valid vote cast, one member for each 75,000 votes in each of the borough-wide districts, with one additional for a remainder of over 50,000. On this basis the vote last fall would have resulted in a council of twenty-three—eight from Brooklyn, six from Manhattan, four from Queens, four from the Bronx, and one from Richmond (Staten Island). The present apportionment of aldermen, obviously inequitable on any basis, is Brooklyn twenty-four, Manhattan twenty-four, Queens six, Bronx eight, Richmond three.

P. R.-Manager Majorities in Cuyahoga County.—Official figures recently received from the Cuyahoga County (Ohio) board of elections show that the P. R.-manager plan county charter which the Ohio supreme court recently held not to have been properly adopted last fall received favorable majorities not only in the city of Cleveland but in several of the principal suburbs. In those large suburbs which did not approve the charter the adverse majorities were small. Here are the figures:

Municipality	For	Against	Majority For (+) Majority Against (—)
Cleveland	125,930	106,999	+18,931
Cleveland Heights	7,226	3,501	+ 3,725
Shaker Heights	4,082	1,465	+ 2,617
East Cleveland	5,217	3,134	+ 2,083
Euclid	2,430	2,329	+ 101
Garfield Heights	2,269	2,533	— 264
Parma	1,814	2,263	— 449
Lakewood	8,136	8,787	— 651

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Greece Goes Back to P. R.—According to press dispatches the Greek Parliament on April 29 passed a new electoral law prescribing proportional representation for future parliamentary elections. Greece has already had some experience with a party list system of P. R.,[2] but with the swiftly changing fortunes of democratic institutions in that country it had been temporarily abandoned.

TAXATION AND FINANCE

Edited by Wade S. Smith

High Court Voids Sumners-Wilcox Municipal Debt Act.—As we go to press, word comes from Washington that the Supreme Court, by a five to four decision, declared unconstitutional the Sumners-Wilcox municipal debt adjustment act adopted in 1934 to permit cities to throw their debt readjustment programs into the federal courts. The case came on writ of certiorari from the Fifth Circuit Court of Appeals, which had reversed an opinion of the Southern District Federal Court in Texas holding the law unconstitutional in an action brought by minority bondholders of the Cameron County (Texas) Water Improvement District No. 1. The act was held to violate states' rights, Justices Cardozo, Brandeis, Stone, and Chief Justice Hughes dissenting. The act had recently been extended until 1940 by congressional action. The decision will be reviewed by this department in detail next month.

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Trends in Valuations of Urban Taxable Property—1929-1935.—From the summary of a report by this title, prepared by J. L. Jacobs and Company, public administration and finance consultants, the following comment is reproduced:

"Changes in the adjusted full valuations of property assessed for tax purposes in all American cities of over 100,000 population averaged a decline of 30.4 per cent from the peak valuations to the lowest valuations during the seven-year period from 1929 to 1935 inclusive. The average decrease from the peak to the lowest adjusted assessed valuations in the cities of over 500,000 population during this period was 30.2 per cent. In the cities of 300,000-500,000 population, the average decline was 23.7 per cent. In the cities of 100,000-300,000, the fall in the adjusted assessed valuations was 33.8 per cent during the same period.

"The trend of declines in the adjusted assessed valuations of urban taxable property lagged from two to three years after the economic collapse in 1929, but the decreases have continued to mount each year to 1935 in most of the 93 cities of over 100,000 population.

"In these cities, the peak adjusted property valuations during the seven-year period occurred in 1929 in only 22 cities. The peak valuations in the other 71 cities occurred as follows: 29 cities in 1930 and an additional 29 in 1931, while the other 13 cities had their peak assessments as late as 1932 and 1933.

"In 8 of the 93 cities, the lowest adjusted valuations of assessed properties occurred prior to 1933, while the adjusted valuations in the other 85 cities have continued to de-

[2] See *Proportional Representation Review* for January 1927 and July 1929 and National Municipal Review for June 1932, January 1933, and September 1933.

crease each year, the lowest adjusted valuations occurring in 11 cities during 1933, in 14 cities during 1934, and in the remaining 60 cities during 1935.

"The variations in per cent changes in the total adjusted valuations of assessed properties in the cities covered in this study are brought out by comparison of the percentage decreases from the peak to the lowest assessments in each of the city population groups and in the respective cities.

"The median per cent decline from the peak to the lowest assessments are the highest in the cities of over 500,000 with the figures at 33.8 per cent. The cities of 300,000-500,000 population had the lowest median per cent decline with the figure at 21 per cent. The average weighted per cent decline from the peak to the lowest assessments are 23.7 per cent for cities of 300,000-500,000 population, and 30.2 per cent in cities of over 500,000 population, and 33.9 per cent in cities of 100,000-300,000 population.

"The maximum deflation in assessments of urban taxable property since the collapse in 1929 was registered during the years 1932 and 1933. Such property assessments have continued to decrease in lesser degree in most of the principal cities during the years 1934 and 1935.

"The highest per cent decreases in property assessments in the cities of over 500,000 population and in the cities of from 100,000 to 300,000 population occurred during the years 1932 and 1933. The decreases in the cities of from 300,000 to 500,000 population were not as drastic in these years but were increasingly higher in 1935 than the decreases in the other two city population groups.

"With the relatively low ratio that personal property constitutes of the total assessed valuation of all property assessed under the property tax—the ratio being slightly less than 20 per cent of all assessed properties in the United States—the general deflationary course in total assessments of urban taxable property has actually reflected the decreases in real estate assessments.

"The larger percentage of real estate sales since 1930 have been distress or forced sales. The small number of normal sales and the wide variations in local conditions—in changes in real estate values, rentals, construction costs, etc., as well as in tax assessment methods—therefore preclude accurate measurement between the declines in real estate sales values and the real estate assessments in the different cities.

"Comparison of available data shows that while the property tax extensions have been substantially lowered during the past six years particularly in such cities where the tax rates have not been raised in proportion to the declines in the assessed valuations, the average ratio of general property taxes to real estate values has increased since 1929.

"The wide variations in the changes in property assessments in the larger cities reflect the lack of adequate standards of reporting and publicity on property tax assessments and the confused administration of the property tax in many jurisdictions. The character of these varies in different localities as do the major causes of confused and ineffectual administration. The defects found are not peculiar to any locality or any political administration. The extent and character of such defects vary according as there has been determination of sound administrative policies and methods and as effective organization has been provided to carry out such policies and to apply such methods.

"However notable the changes that have taken place in property tax administration, these trend pictures supplemented with the findings in other tax administration studies point to the urgent need for progressive improvements in property tax valuation, allocation and debasement practices and definite standards of reporting results of such administration. Such improvements must be pressed if taxation is to be more equitably distributed, if the tax burden on real property is to be reduced, if public confidence is to be restored, and if the credit and orderly functioning of local governments are to be re-established."

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Guides for Approaching Conflicting Taxation Problems.—Four proposals of the Interstate Commission on Conflicting Taxation were recently reviewed by the New York State Tax Commission, in its annual report. They were:

1. Centralization: Complete federal administration of certain taxes, coupled with federal grants-in-aid to the states, or with distribution of a percentage of the revenue to

the states, or with supplemental levies by the states;

2. Federal credits: In cases where both the federal government and the states impose similar taxes, amounts paid as state taxes would be allowed as offsets against the federal tax bill, up to a specified percentage;

3. Segregation: A complete or partial division of the tax field through the assignment of certain types of taxes exclusively to the federal government and others to the states;

4. Intergovernmental comity: Coöperation effected through interstate reciprocity, promotion of uniform state laws and administrative methods, and interstate agreements and compacts.

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North Carolina Collections Up.—Total tax collections of 50 cities and 50 counties in North Carolina, analyzed recently by J. L. Peeler for the Institute of Government's *Popular Government*, show encouraging betterment over the 1934 position.

Improvement in the counties was most consistent, in spite of average increases in the 1935 tax levy. The survey shows that for the 50 counties, the average percentage of 1935-36 taxes collected as of December 31, 1935, was 45.1 per cent as compared to 41.3 per cent of the 1934-35 taxes collected as of December 31, 1934. The ratio of current and delinquent taxes uncollected as of December 31, 1935, to the 1935-36 levy was 121 per cent, as compared with 130 per cent for corresponding current and accumulated delinquencies collected at the corresponding date for the previous year.

In the study 19 small towns showed little change from the previous year. Sixteen municipalities with a population range from 2,500 to 10,000 raised their collections for 1935-36 taxes collected as of December 31, 1935, to 45 per cent as compared with 40.5 per cent for the previous year at the corresponding date. Cities of 10,000-30,000 population lost ground in 1935 on current collections, but the loss was more than made up by collection of arrearages. As of December 31 in each year, these cities dropped from an average collection of 55.1 per cent for 1934 to 52.6 per cent for 1935, but the ratio of current and delinquent collections to the current levy decreased from 108 per cent for 1934 to 95.5 per cent for 1935. The cities above 30,000 population increased from an average collection of 55.4 per cent in 1934 to 57.6 for 1935, with the ratio of current and delinquent collections to the current collections decreasing from 86.4 per cent to 84.1 per cent.

*

Florida Tax Collections Improve.—From Florida come reports of improvement in current tax collections, Miami reporting 76.58 per cent collections as compared with 69.35 a year ago. Miami is also moving for prompt foreclosure on 35,000 delinquent parcels.

The HOLC reported that of thirty millions of home loans in Florida, delinquent tax payments of $3,042,000 were made. The taxes are estimated to average from five to six years delinquencies, but of course were settled at a discount under Florida's delinquent tax compromise arrangements.

Total delinquent tax payments from loans to home owners by the HOLC are put by the corporation at $224,981,000 in a recent release. This represents about 7.4 per cent of the total amount loaned—and in many communities the amount of the HOLC tax money has just about equalled the "improvement" in payment of tax arrearages.

*

An unusual contest to promote tax collections is reported from Lakewood, N. J., where 215 posters were prepared by school children to depict reasons why taxes should be paid.

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Revenue losses varying from 6.67 per cent in very populous counties to 37.7 per cent in less populous ones are indicated in a recent study of homestead exemption proposals for Alabama, made by the University of Alabama. The proposal would exempt $2,000 in full value or $1,200 in assessed value on homesteads.

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The social credit government of Alberta, Canada, is thinking of refunding outstanding bonds, as they mature, with "perpetual' bonds at 3 per cent interest to run not less than thirty-five years before redemption. A shorter period of refinancing would necessitate frequent refunding, governmental authorities plead. The province's debt is $160,000,000—half would be perpetuated!

Two years after its first appearance, a revised edition of Public Administration Service's *Property Tax Limitation Laws* finds tax limitations getting worser and worser! Nothing has happened to make the outlook for such efforts look any rosier, and experience keeps on demonstrating new difficulties, say the symposium's twenty-four authorities.

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Norfolk, Virginia, joins the caravan of cities adopting business methods in charging its citizens for municipal services. It recently inaugurated a quarterly tax collection system, with resultant convenience and economy to the taxpayer and lessening of short-term borrowing by the city.

GOVERNMENTAL RESEARCH ASSOCIATION NOTES

Edited by Robert M. Paige

Wisconsin Taxpayers Alliance.—Since adjournment of the Wisconsin legislature in September 1935, the Wisconsin Taxpayers Alliance has devoted most of its efforts to supplying taxpayers and citizens with information about ways and means by which their government may be improved. This information is imparted through the pages of its semi-monthly publication, the *Wisconsin Taxpayer;* through radio addresses delivered over seven local Wisconsin stations, and through public addresses by the executive director, Paul N. Reynolds.

Special studies have been published in the *Taxpayer* dealing with county problems, county zoning, motor taxes, and city manager government.

Wisconsin counties are burdened with a large number of mandatory or fixed expenditures which state law requires them to make. In the average 1934 county budget, nearly one-half of the county property taxes were required to meet specific expenses over which the county board of supervisors had little or no control.

In addition to the publication of material relating to county budget problems, a special "county board supplement" was sent to all county officials outlining new county laws enacted by the 1935 legislature and explaining the procedures which county officials must employ under the new state old-age pension, mothers' pension, and blind pension systems.

Over five million acres of rural land in twenty northern Wisconsin counties had been placed in restricted land use areas by county zoning ordinances by November, 1935. Other counties are now studying zoning ordinances. The Wisconsin law enables counties to divide rural lands into forestry districts, recreation districts, and unrestricted districts. It is hoped that zoning ordinances will do much to eliminate needless government expenditures for roads and schools in sparsely settled areas and to help solve the problem of tax delinquency in northern Wisconsin.

A study of motor taxes and state highway aids released by the Alliance in January indicates that fifteen counties in the state pay more gas taxes and motor vehicle license fees for state aid purposes than are returned to them in the form of aids, while fifty-six counties receive more highway aids than they pay into the state treasury for aid purposes. The Alliance pointed to the fact that no adequate records were kept of how the highway aid moneys were spent.

Seven cities and one village in Wisconsin now operate under the city manager plan of government. No Wisconsin city has ever abolished the plan once it has been adopted. Several counties are now considering the plan. "The city manager plan of government is not a sure way to lower taxes," the Alliance report stated, "but it may pave the way toward reduced city expenditures through more efficient spending of taxpayers' funds."

The Alliance is strictly a research organization, has no legislative program, and its publications and reports give taxpayers all phases of each question or subject treated.

Two new series of articles have been started in the *Taxpayer*—one dealing with expenditure control, and the other with a detailed analysis of the duties and finances of various state departments.

A 48-page summary of 1935 Wisconsin laws was published by the Alliance in January. The main points of the 556 laws passed by the 1935 legislature were summarized and conveniently indexed in this booklet for the use of taxpayers and public officials.

Worcester Taxpayers Association.—The Worcester Taxpayers Association since 1931 has contributed to the saving of probably $5,000,000 to the taxpayers of Worcester. In making this statement, we are not claiming sole credit for any such saving. But we estimate conservatively that, without the aggressive work which we have performed, at least this amount would have been spent, in addition to the sums which actually were spent by the city.

The close of the year 1935 saw the Taxpayers Association established as a definite force for good government at the lowest possible cost in Worcester. Started as an experiment in 1931, the organization has grown steadily, and has seen the development of similar groups in more than two hundred other Massachusetts communities. These nonpartisan citizen organizations are now functioning as a powerful force to protect the taxpayers of the commonwealth through the Massachusetts Federation of Taxpayers Associations. In the development of the statewide movement, the Worcester association has been and still is a leader.

In Worcester our 1935 work climaxed with one of our most satisfying accomplishments —the defeat of fourteen unnecessary police department appointments made by the outgoing mayor, with a permanent annual saving to the taxpayers of $30,000. By newspaper and radio publicity, we so directed public opinion on a board of aldermen previously pledged to confirm the appointments that they were rejected by a 6-4 vote.

During the early part of 1935 we concentrated all our energy on the city budget. Late in 1934, we warned that the city was facing a tax rate of more than $40. We offered figures to support our claims. The submission of the mayor's budget marked only the beginning of our effort for economy. We made the most militant campaign in the history of the city to compel the city council to reduce the budget. We enlisted the support of other organizations and of thousands of taxpayers. By use of the radio, mass meetings, newspaper publicity, and advertising, we aroused a widespread demand for a substantial budget cut and impressed upon the public what the threatened tax would mean to every industry and resident of Worcester.

The council finally reduced the budget by only twenty cents on the tax rate. The tax rate went up. But this time those in power at city hall could not deceive the taxpayers by the usual explanation that they would have kept expenses down had they known the seriousness of the situation. The people of Worcester knew in 1935 that their taxes were increased because their cumbersome and antiquated city government was unable to meet the urgent demands of the crisis. In impressing this fact clearly upon the public mind, the Taxpayers Association feels that its efforts were a success even though the immediate object—the reduction of 1935 city expenses—was not secured.

We have on many occasions coöperated with city officials to bring about changes for the benefit of the taxpayers. In these instances, it is impossible for us to claim credit for results. We would point out, however, that the new cost accounting and inventory system which we advocated and saw installed in 1935 brought substantial savings in several departments and can be of increasing advantage in reducing costs if properly used by department heads.

In the 1935 city election the results of our budget drive were very apparent as the candidates of both parties strove to outdo each other in stressing their interest in the taxpayer, the home owner, and the industries of Worcester. In our opinion, this proved that the public had absorbed much of the factual information which we disseminated early in the year, and it was impressed upon political aspirants that the path to success at the polls was along the line of pledging economy during the campaign.

The welfare and relief work problem continued to be a difficult one for Worcester in 1935. Our 1935 city outlays for these purposes were nearly $3,000,000—equivalent to $10 on the tax rate and ten times the cost of relief at the beginning of the depression. Between 25,000 and 30,000 citizens of the city have been dependent on public aid in recent months. The seriousness of this situation is puzzling the best brains of the state and the nation. Only by cutting other city expenses to the bone and postponing all unnecessary proposals can Worcester and other

cities continue to bear this load and not completely bankrupt the taxpayers.

In 1935, the mayor submitted to the council a long list of proposed PWA projects, to cost more than $10,000,000. To forestall these proposals, we found it sufficient to analyze the city's debt and financial situation and to show that every dollar borrowed by the city would be reflected directly in higher taxes in 1936, while the maintenance of these new buildings and other projects would impose a large permanent cost on the local taxpayers. The result has been that only a few minor projects met final approval, and the balance of the mayor's program was buried in committee. In our opinion, the program approved would have been substantially larger except for our opposition.

In former reports, we cited our work in securing a federal grant of 100 per cent for construction of the Cambridge street bridge, with the city paying only land damages. This money came to Worcester as a result of the state-wide protest which we aroused in 1933 against plans to use an entire federal highway grant in and around Boston. The bridge was completed in 1935. That year also saw Worcester for the first time complete a so-called chapter 90 street project. Under this plan, the state contributes 50 per cent, the county 25 per cent of the cost of paving main arteries in cities and towns. In 1933 we investigated the failure of Worcester to share in this program and found that it was entirely due to the city's neglect to apply for state and county funds. As a result of our demands, the city government applied for and received funds to carry out one such project in 1935. In 1936, further work under chapter 90 is planned.

At this time, we can report a substantially increased membership in the association. We now have 11,465 associated members in every ward in the city, and 271 sustaining members.

John H. Mahoney, *Executive Director*

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Schenectady Bureau of Municipal Research.— A recent bulletin of the Bureau deals with the operation of the city under the new charter providing for a city manager. The Bureau reports that many citizens are already critical of and discouraged by the events of the past few months. It appears that contrary to the spirit and letter of the law the manager has not had a free hand in the making of his appointments and that some members of the council have injected themselves into the purely administrative affairs of the city over the head of the city manager.

With reference to the council's interference with appointments, the Bureau reports that before a city manager was appointed, a slate of appointments was drawn up by some members of the council. A manager was then tentatively appointed and a public announcement of his appointment made. But this man refused to accept the slate and he was then rejected by a four to three vote of the council. Another manager was then selected. It is understood that appointments to the smaller positions in the city have been cleared through the office of the corporation counsel and not through the manager, his department heads, or the civil service commission.

In the Bureau's opinion neither the new council nor the manager have realized the extent to which these practices violate both the spirit of the manager charter and actual practice under manager charters in other cities throughout the country. Old concepts of patronage distribution were carried over into the new set-up.

The Bureau commends the city for three good appointments and the abolition of one sinecure. But it points out that Schenectady does not yet have manager government and that criticism should be directed not at the plan or the charter, but at the elected officials who have failed to live up to the principles of the new charter.

The Bureau has recently established a committee to consider state laws which affect local government.

Morgan Strong, member of the staff of the Bureau, has accepted a position with the Regents Inquiry into the Character and Costs of Education in New York State.

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Harvard University Bureau for Street Traffic Research.— The annual report of the Bureau issued April 1 summarizes the history of the Bureau since its founding ten years ago. During this period the Bureau has worked with many large cities studying their traffic problems and recommending solutions. These cities include Los Angeles, San Fran-

cisco, Chicago, New Orleans, Kansas City, Boston, New York, and Washington, D. C.

The Bureau has offered fellowships to persons desiring special training in traffic engineering and many graduates of the Bureau's training course are now holding official positions in the traffic field. This year the training program has been greatly enlarged. Fifteen fellowships carrying stipends of $1200 are now offered by the Bureau. More than 349 persons applied for these positions, applications coming from forty-four states.

Two major research projects are under way at the Bureau at the present time. One deals with the control of drivers by motor vehicle departments. This study is directed by Dr. Harry R. De Silva and Wilfred Brown. The American Conference of Motor Vehicle Administrators is coöperating in this study. The other deals with traffic law enforcement, and is directed by O. W. Wilson, chief of police of Wichita, Kansas, who secured a leave of absence to accept this assignment. Lieutenant Franklin M. Kreml of the Evanston, Illinois, police department, is collaborating with Chief Wilson on this undertaking.

The Bureau is now coöperating with numerous state and regional police associations in the conduct of training schools for traffic officers.

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Citizens' Bureau of Milwaukee.—The Citizens' Bureau works to promote efficiency and economy in the $65,000,000 annual expenditure of the ninety-three local governments operating in Milwaukee County. On the Citizens' Bureau's own initiative or at the request of a public authority, objective studies of various phases of governmental activity are made and submitted with recommendations to the authority concerned. More than one hundred cities, counties, companies, and individuals contribute to the maintenance of the Citizens' Bureau. An executive committee of five members selected by the board of trustees meets each week to give their time and thought to the direction of the work of a full-time staff.

During the past year the Bureau was successful in achieving a number of important objectives. A timely survey caused the abandonment of a proposal to build a $350,000 city hall annex and a $300,000 municipal garage. The Citizens' Bureau report indicated to the public that the county's new $8,000,000 court house was being used only two-thirds of capacity, and could accommodate city departments now somewhat cramped for room.

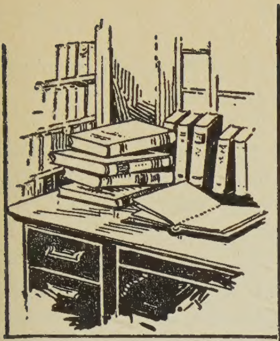
During the year the county park commission was convinced of the necessity of placing park employees under civil service regulation, and as of January 1, 1936, all county park employees were placed under the jurisdiction of the county civil service commission.

The Citizens' Bureau, in coöperation with the county auditor, secured an order from the Wisconsin Industrial Commission, reducing by about $500,000 local taxation for relief purposes.

At the regular session of the state legislature an enabling act was passed permitting the transfer to the county of services now performed by towns, cities, and villages. However, the legislature failed to pass bills designed to merge the offices of alderman and county supervisor and a proposed constitutional amendment to permit city-county consolidation was defeated. The Citizens' Bureau has estimated that a complete city-county consolidation would make possible a saving of from five million to seven million dollars annually.

A member of the staff of the Citizens' Bureau supervised the work of a WERA staff and acted as executive secretary to the joint committee on consolidation. Fourteen reports were prepared for this joint committee, recommending administrative savings totaling one million dollars annually. In April of this year a referendum on the question of transferring the administration of the city parks to the county park board was held, and the voters approved this transfer. The Citizens' Bureau estimates that a $200,000 annual saving should be the result of this move.

In preparing the 1936 budget, the county ignored the fact that the collection of delinquent taxes to the extent of some $2,000,000 could be safely anticipated. The Citizen's Bureau brought this situation to the attention of the officials and the public and the current tax levy was correspondingly reduced.



RECENT BOOKS REVIEWED

EDITED BY GENEVA SEYBOLD

Theories of International Relations. By Frank M. Russell. New York, D. Appleton-Century Company, 1936. 651 pp. $4.00.

That men have always been warlike is accepted as a truism. That pacifist thought and doctrine may be traced far back into antiquity is less known. It may be discouraging evidence of progress that in the fifth century B.C. Mo Ti, a Chinese philosopher, was opposing war vigorously both from moral and economic grounds. War, he pointed out, was an uneconomic enterprise of profit to neither invader nor invaded.

Or further back than that — Dr. Russell in his absorbing survey of significant ideas that men have entertained concerning international relations through the centuries, calls attention to the fact that primitive warfare consisted more in shouting than in fighting. In some cases no blood was shed at all; in some instances fighting was confined to individuals selected from the opposing tribes. Or, as soon as some one on either side was wounded or killed, the fighting would cease.

Even the primitive peoples followed rules and imposed restrictions in the conduct of war, following the practice of notifying the enemy before attack, determining on time to elapse before the beginning of hostilities, forbidding the use of poisoned weapons, respecting flags of truce, and sparing women and children.

From primitive man, following through the civilizations of China, India, Greece, Rome, and medieval Europe, Dr. Russell traces evidences of international political thought. These in the light of recent political events are exceptionally interesting. Was it Machiavelli who held that conquest of a weaker state is wrong only when conquest is unsuccessful and that the proper treatment of a conquered people accustomed to liberty is destruction or colonization? It would not be too difficult to attribute these precepts to a national leader of today. We encounter, too, modern thought strangely reminiscent of Bacon the imperialist and Erasmus the internationalist and idealist. Sir Thomas More who considered warfare between nations as "beastly" but not always avoidable could claim followers in modern camps.

The period since the world war has brought a host of new theories and problems of international relations. Outlawry of war, treatment of national minorities, international control of backward areas, disarmament, continentalism, regionalism, fascism, socialism, communism, and international organization are among the topics surveyed and which lend perspective to a clear view of contemporary relationships between nations. Dr. Russell's impartial and comprehensive analysis is a major contribution toward an understanding of the influences which are making for and standing in the way of successful international government.

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Plain Talk. By John W. Studebaker. Washington, National Home Library Foundation, 1936. 166 pp. 25 cents.

Dr. Studebaker has a practical plan for the preservation of democracy — the creation and continuous operation, for adults as well as children, of "means by which all may become informed and active participants in carrying the responsibilities of self-government." His part in the establishment of the public forum in Des Moines when he was superintendent of schools there is well known. As United States commissioner of education

he has seen his idea extended until he is now directing a federal educational project which will establish ten public forum demonstration centers in as many states.

This little book explains his ideas of what a public forum should be and its potentialities. Public forums, he believes, should be operated as an integral part of our system of public education with their management delegated to the federal, state, and local agencies of education and supported through taxation. The highest professional talent available should be sought, leaders who should be well paid. The forums should be so placed and managed that they would be readily available to all of the youth and adults in every community, of all political affiliations, creeds, and economic views.

The forum is more than a schedule of lectures. It is a place where people give and take of ideas under skilled leadership. As often as possible the panel method of discussion should be used. "Along the way of mass education," concludes Dr. Studebaker, "lies the way to peace, freedom, and security."

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Regional Planning. By Karl B. Lohmann. Ann Arbor, Edwards Brothers, Inc., 1936. 143 pp. lithoprinted, $4.00.

Planning in terms of natural, complete areas has been brought sharply to public attention in this country within a recent period with the federal proposals for large regional studies in the nation, metropolis, county, and state. An effort is being made to "recognize complete areas of similar environment and culture, of common purpose, character, and usefulness" and to "plan these human-use units to serve more effectively as centers of production, distribution, health, prosperity, and happiness."

The author, who is professor of landscape architecture at the University of Illinois, has brought together descriptions of the work of the many regional planning groups and emphasized the need for planning agencies in which many may contribute their knowledge and understanding. The geologist, geographer, climatologist, agriculturist, forester, sociologist, political scientist, lawyer, engineer, landscape engineer, architect, and other artists all have important contributions with the regional planner as master coördinator.

An excellent bibliography follows each chapter. The book has been prepared particularly for the use of college students.

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The Municipal Year Book 1936. Edited by Clarence E. Ridley and Orin F. Nolting. Chicago, International City Managers' Association, 1936. 475 pp. $4.00.

The pattern of the third edition of this year book which has become a "must" in the municipal administrator's desk library, is similar to the previous editions but much material has been added. A new section on municipal finance gives an analysis of trends in municipal debt, indicating the growth of debt, purposes for which debt is incurred, bond sales, interest rates, and other information for the period 1916-1936. State limits on local debt and on tax levies, state administrative supervision over taxes, accounting, debt, and budgets, state-administered locally-shared revenues, and federal grants-in-aid are treated.

Another added feature is a list of model municipal ordinances. In line with the recently intensified interest in municipal personnel, more than a hundred pages have been devoted to this topic. For each of 746 cities over 10,000 population the number of employees, number of appointments in 1935, number of separations, and personnel agencies are given. The extent to which eleven groups of municipal officials have been professionalized is discussed and there is a directory of thirteen chief officials in all cities having more than 10,000 inhabitants.

Professor John M. Gaus of the University of Wisconsin, summing the analyses and interpretation of events and developments in 1935 in municipal administration made by twenty-three authorities, points to an improved financial position of the cities in general, increased attention given to personnel administration, and some extension of the merit system. No startling changes in administrative organization took place. The problem of planning and administration acquired sharper definition. Public opinion continues to lag behind the advance of administrators and their technical advisors.

City planning must be built into the work of every department and integrated with the financial program, Professor Gaus maintains. And citizens must be kept informed and an attempt made to win their understanding. The municipal official already has his hands

full, it is admitted, but so important to the progress of the community is this education of the public that he should consider it one of his major tasks.

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The Exemption of Homesteads from Taxation. By Civic Research Institute. Kansas City, 1935. 31 pp. mimeo.

Eight states have adopted homestead exemption laws and two will vote on proposals for such laws this year. Following a summary of the provisions of these laws and a discussion of their advantages and disadvantages, this study presents the application of homestead exemption in Missouri.

A homestead exemption of $1500, it is concluded, would result in a loss of from 6 to 70 per cent of the total city tax revenues. The smaller, poorer city and county governments would relatively lose the most revenue. In some of the poorer school districts the exemption would take practically all of the tax revenue. The consideration of replacement revenue, it is urged, should be a primary consideration of any legislature considering homestead exemption.

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Housing Officials' Yearbook, 1936. Edited by Coleman Woodbury. Chicago, National Association of Housing Officials, 1936. 244 pp. $2.00.

In its yearbook—this is the second that has been issued—the National Association of Housing Officials is performing a valuable service by measuring the progress in this field at twelve-month intervals. The work of the federal housing agencies, state and regional agencies, official and semi-official, and also unofficial housing agencies, are summed up for the year. While 1935 produced much that was discouraging, more good housing was produced than in the preceding two years. Housing officials foresee a long, hard pull after the initial period of general enthusiasm.

Among the important current problems in housing, the subject of special articles, are those on public relations of housing agencies, the use of eminent domain for housing purposes, prefabricated construction of housing, and training for housing management. A section is devoted to housing in England which from its longer experience has much to contribute to our agencies.

Report of the Committee on Governmental Simplification. Los Angeles, 1935. 219 pp. mimeo. Apply to the Committee.

This report represents one of the most thorough studies on local government made by a committee of citizens. After working two and a half years the committee of forty has submitted its recommendations with a surprisingly small minority disagreement.

Los Angeles County is practically co-terminous with the Los Angeles metropolitan area so that making the county the administrative unit would provide a central authority for the latter. The 450 operating and taxing units now within this area have common objectives such as police protection, health protection, education, recreation, sanitation, and protection against floods. That such functions should be commonly administered and that the county is the logical unit for their administration were conclusions of the committee. Believing that the present county organization, however, is not designed or equipped to deal with the type of modern governmental problems in need of metropolitan attention, the committee suggests the adaptation of the existing county government to the new necessities.

The committee recommends that the county be governed by a legislative body of fifteen members with a county manager appointed by this board of supervisors. Adequate staff agencies should be provided to assist the county manager. Other recommendations include the short ballot, integrated financial administration, the independent audit, the coördination of personnel management, a grouping of administrative services of the county into departments according to their major purpose or function, an administrative code and adequate reporting of governmental activities to the citizens.

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Regional Factors in National Planning and Development. By the National Resources Committee. Washington, D. C., Superintendent of Documents, 1935. 223 pp., paper cover, 50 cents.

Dr. W. Y. Elliott of Harvard suggested that we have a United Regions of America rather than a United States and others, too, have thought a division of the country into regions the best plan for effective administration. Were we to attempt to carry out the

suggestion there would be undoubtedly wide disagreement as to the boundaries of the regions. To facilitate administration United States agencies now use field districts involving 108 different arrangements with as high as 73 agencies in some centers. One of the recommendations of the National Resources Committee appointed by the President to study those problems of planning and development which overlap state lines or which require the use of combined federal and state powers, is that these field districts be grouped so as to establish ten or twelve unified agencies of the United States.

Among the other recommendations of the committee are the continued support of state planning boards with the suggestion that they be established in those states which do not have them. Supplementing them regional planning commissions like those set up in the Pacific Northwest and in New England should be encouraged. Interstate compacts as a means of solving regional problems are advocated. For dealing with types of subnational problems advantages are seen in federal authorities of a regional-functional nature such as the TVA. The committee also recommends the establishment of a permanent advisory national planning board and a permanent national development administration to carry out the board's plans.

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Regulation of Public Utilities in New Jersey. By M. C. Waltersdorf. Waverly Press Inc., 1936. 225 pp. $2.50.

A description of the development of the present system of control of public utilities in New Jersey and a careful analysis of the problems confronting public utility regulation lead to an appraisal of its effectiveness. Suggestions are made relative to ways in which the present powers and methods of procedure might be strengthened. The chief essential, the author concludes, is a commission equipped with highly competent, progressive, and public-minded administrative leaders and a well equipped staff. With such personnel few changes are needed in the regulatory statutes.

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Motor Vehicle Legislation, The 1935 Trend. By National Highway Users Conference. Washington, D. C. 12 pp. Apply to the Conference.

When legislators meet to consider taxes, their thoughts turn to the automobile. There are questions, too, of how to regulate the use of motor vehicles and how to make the highways safer. State legislatures in 1935 enacted into law more than 1200 bills pertaining to highways and highway use. This study classifies them and describes their provisions briefly.

Among the trends noted are a diversion of gasoline taxes and motor vehicle imposts to other than highway purposes, an increase in gasoline taxes, a general increase in all taxes affecting motor vehicles and highway users and a trend toward safety legislation and extension of restrictive carrier regulations.

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Local Rates and Alternative Methods of Local Taxation. By W. H. Legh-Smith, London, Joint Committee of Students' Societies of the Institute of Municipal Treasurers and Accountants, 1936. 21 pp.

An excellent critical summary of the development of the local rating system is given in this pamphlet by the city treasurer of Liverpool who offers suggestions for its improvement. Particularly interesting is a discussion of the inequality of the rate burden in respect to national or semi-national services though the point might have been reinforced by a discussion of delinquency in rate payments. Some extension of the principle of nationally-collected, locally-shared taxes seems to be the answer.

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Maine State Planning Board Report. 1934-1935. Augusta, 1936. 396 pp. mimeo. Apply to the Maine State Planning Board.

Coöperating with the National Resources Board and the New England Regional Planning Commission the Maine State Planning Board has compiled and correlated information bearing on the social, economic, recreational, and physical development of the state. This is the first report of the commission and is intended as a factual study to be used later in coördinated planning of all of the state's physical activities. The study is well illustrated with maps and charts.